FINANCIAL TIMES

No. 27,260 Monday May 2 1977 12p

CONTINENTAL SELLING PRICES: AUSTRIA Sch.15; BELGIUM Fr.25; DENMARK Kr.3.5; FRANCE Fr.3.0; GERMANY DM2.0; ITALY L.500; NETHERLANDS Fl.2.0; NORWAY Kr.3.5; PORTUGAL Esc.20; SPAIN Pts.40; SWEDEN Kr.3.25; SWITZERLAND Fr.2.0; EIRE 15p

NEWS SUMMARY

GENERAL

32 shot dead at Istanbul rally

At least 32 people were killed and 150 wounded when Left-wing extremists started shooting during the first May Day rally in Istanbul organised by the Confederation of Revolutionary Workers' Union. About 100,000 people attended the rally.

Snipers on roof-tops exchanged fire with police as marchers rushed for cover in one of the biggest demonstrations ever staged in Istanbul. Mr. Suleyman Demirel, the Turkish Prime Minister has called an emergency meeting of the Cabinet to discuss the incident.

Spanish marchers fight police

In Spain, riot police and Civil Guards fought with demonstrators in Madrid and other major cities as the Government tried to enforce its ban on May Day celebrations. Many people have been arrested and at least 30 injured.

In the Basque city of Bilbao there were several hours of violence after workers tried to march through the city centre. Police charged using batons, rubber bullets and smoke bombs. More than 20 people were injured. Page 4

Tories optimistic over elections

Conservatives expect to oust Labour from most of the metropolitan and county councils in England and Wales in the local elections this week, and in Scotland the nationalists are threatening Labour's traditional dominance of authorities in the central industrial belt. Page 6

Coalition move

Mr. Leo Tindemans, leader of Belgium's caretaker Government, is to make another attempt to form a workable coalition Government. During the weekend he told King Baudouin that he had failed in his attempts the previous week to broaden the existing interim coalition composed of his own party, the Social Christians and Liberals. Page 4

Parties merge

Four constituent units of India's Janata Party yesterday formed one party. In addition, Mr. Jagjivan Ram's Congress for Democracy Party, decided to merge with the Janata Party. Page 4

Leadership bid

An attempt by moderates in the Civil and Public Services Association to recapture the presidency will be made to-day at the union's annual conference in Southport. Page 40

Yacht launched

Mr. Edward Heath's new yacht, the fifth to bear the name Morning Cloud, was launched at Warsash on the Hamble River yesterday by Mrs. Mary Heath, Mr. Heath's stepmother. The yacht will race for a place in Britain's Admiral Cup team.

Briefly . . .

The leader of Nottinghamshire branch of the National Union of Mineworkers said yesterday that they wanted nothing to do with Mr. Timothy Smith, the new Tory MP for Ashfield. "As far as the miners are concerned we would prefer it if he stayed well away from us," Mr. Leo Martin said. Page 40

Students at North London Polytechnic yesterday ended a 59-day sit-in to protest against increased fees. Police are now investigating the loss of confidential papers from the building.

Ten Dutch trawler skippers are due to appear in court in Cork this morning after being arrested for fishing inside Ireland's unilaterally declared 50-mile fishing limit.

Professor Alan Gemmell, who has made more than 1,250 broadcasts on Gardeners' Question Time, is to retire from the Biology Department of Keele University in September.

BUSINESS

Recovery expected in capital spending

● INDUSTRY expects to see a steady rise in output and a recovery in investment in the next 12 months, according to the latest Financial Times monthly survey of business opinion. But it also expects inflation to go on at a high rate.

The survey indicates a continued improvement in industry's optimism about economic prospects. The most marked improvement in the past couple of months has been the rising number of companies expecting an increase in the volume of capital spending in the next year. Back Page and Page 41

● UNION meeting this week could have an important bearing on the future of pay policy. The national committee of the AUEW engineering section will be meeting in Eastbourne. Back Page

● GOVERNMENT may freeze some public sector prices from this autumn and offer further tax relief, according to stockbrokers Phillips and Drew. Page 9

Steel prices may go up this summer

● BRITISH STEEL Corporation is expected to put up the prices of a range of steel products this summer, if demand recovers by then. Most steel products are at present unprofitable. Page 6

● PREPARATIONS [illegible] the prospectus for [illegible] planned sale [illegible] shareholding [illegible] now [illegible] advanced. [illegible] expects [illegible] place in [illegible] Page 6

● FORD [illegible] to third [illegible] of large[illegible] terms of [illegible] and General [illegible] It has pushed [illegible] fourth place. Page 35

● FRENCH [illegible] Minister, M. Jean-Pierre [illegible] who has arrived in [illegible] is expected to discuss In[illegible]'s possible purchase of six nuclear reactors worth about $7bn. Page 4

Loan sought for Soviet gas project

● EAST EUROPEAN International Investment Bank is seeking to raise a Western loan of $400m. to finance sections of a pipeline to take gas from deposits in the Urals. Back Page

● CAR RENTAL rates may be forced up to pay for higher commissions being given to travel agents in a "commission war" between big European car rental groups. Page 40

● PRE-TAX trading profits of 145 industrial companies which issued full reports and accounts last month were 69.1 per cent. up on a year earlier. The increase is about twice that for companies which reported their results in the first three months of the year. Page 6

COMPANIES

● LAIRD GROUP lifted pre-tax profit to £8.06m. (£6.84m.) on sales of £110.87m. (£88.5m.) in 1976. Page 34 and Lex

● GENERAL ACCIDENT could break even or possibly make a profit on U.K. underwriting this year, according to Mr. H. I. Stuart Black, the chairman. Page 38

● RENOWN INCORPORATED of Japan will issue 9.8m. new shares of 50 Yen par value in the form of European Depositary Receipts by means of a public offering in the international market. It made a similar offering of 8m. shares in Europe last August. Page 35 and Lex

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Mason holds talks on plans to combat Ulster strike

BY ROY HODSON, IN BELFAST

Mr. Roy Mason, the Northern Ireland Secretary, arrived back at Stormont Castle last night and immediately met his senior political and military advisers to complete plans to combat the Ulster Loyalists' strike which is threatened to begin at mid-night to-night.

The discussion centred on whether a state of emergency should be declared in the province as an extension of the Emergency Powers Act. Mr. Mason is unlikely to invoke a state of emergency unless the United Unionists Action Council, who are calling the stoppage, prove in the early stages that they can effectively paralyse the economic life of Northern Ireland.

The Government is reluctant to move early in a situation where the strength of the militants is still unknown.

Response to the strike call so far has been minimal. The key power station workers and the workers at the Harland and Wolff shipyard—Northern Ireland's biggest single industry—have opposed the strike.

Mr. Mason's immediate problem is how to prevent the widespread intimidation of workers which contributed to the success of the 1974 Ulster Workers' Council strike. Then Protestant militants brought life in Northern Ireland to a standstill during a 15-day strike which culminated in the collapse of the power-sharing executive.

If Mr. Mason feels that the situation can be handled only by declaring a state of emergency he will issue a proclamation which will have far-reaching effects on every-day life in the province. He would assume powers to control stocks of food, fuel, and other vital supplies, together with complete management of the means of distribution.

During the last strike the army controlled some petrol stations to supply fuel to essential users. If new powers are invoked this week it is expected that the army would take over key petrol stations while the pumps would be managed by civil servants from the Northern Ireland Department of Commerce.

Panic buying

The fear of food and petrol shortages is uppermost in the minds of the public. There was panic buying on Saturday. Shops and supermarkets were cleared of many packaged and convenience foods. Some shoppers carried orders worth up to £100 through supermarket checkouts.

The prospect of a bread shortage led to Bangor, Co. Down, housewives taking action into their own hands. While a baker's roundsman was delivering supplies to the shops he incautiously left his van open. When he returned a few minutes later his entire stock had gone.

Mr. Mason is making a series of late attempts to stave off the strike. Last night he had a private meeting with Mr. William Craig, MP, the leader of the Vanguard Party, which now represents a minority of moderate Ulster Unionists. He will have a key meeting to-day with the Rev. Ian Paisley, MP, and Mr. Ernest Baird, the leaders of the Action Council, who are the two men directing the strike call.

In view of the Action Council's uncompromising demands for stronger action against the IRA and the restoration of a devolved Parliament at Stormont, there seems little chance of a last-minute understanding being reached.

Mr. Paisley last night urged Protestants to keep their children home from school and to stay indoors as much as possible during the strike. He was speaking to a congregation of more than 2,000 at his Free Presbyterian Church in East Belfast. He warned that some strikers might be injured, even killed, but their sacrifices would be necessary for the struggle.

Mr. Mason made the British Government's position clear in a speech in his Barnsley constituency before he flew back to Northern Ireland. He said: "A determined effort is being made by a militant and politically-motivated group to deal a potentially crippling blow to the economy, the industrial future, of this province."

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Editorial Comment Page 12

Norway faces new row on oil

By Kevin Done

STAVANGER, May 1.

NORWEGIAN OFFSHORE oil and gas exploration reaches a major landmark this week with towing-out of the first production platform to the Statfjord field, the largest oil reservoir yet discovered in the North Sea.

But the event, far from being a cause for national celebration, could prove a watershed in the development of Norway's offshore resources.

The development at Statfjord has been eclipsed by the eight-day battle to seal off the blown-out well in Phillips' Ekofisk field. But it will add to an ever sharper focus to the debate and recriminations that will succeed the first wave of relief at the successful capping of the Bravo well on Saturday.

Even before the Ekofisk blow-out the pace of offshore development was a hotly-contested issue in Norway, which does not share the U.K.'s urgent economic necessity for rapidly exploiting its energy resources. The Statfjord field alone could meet Norway's anticipated needs for 60 years.

But the Ekofisk disaster has changed the face of Norwegian oil politics. With a General Election due in September the minority Labour Government will come under increasing attack for having allowed the pace of oil development apparently to outstrip the safe limits of technological progress.

Environmentalists, the fishing industry, and the rurally based parties have been campaigning for many months for a slowdown of oil exploration.

Arctic plans

Next year the Government was expected to sanction drilling north of the 62nd parallel in waters far wilder than anything so far experienced in the North Sea.

It had been argued that the oil industry could by then provide all necessary safeguards and that adequate emergency oil protection equipment existed. But the events of the last 10 days and the seemingly major part played by human error have changed all that.

Northern drilling is very unlikely to be given the go-ahead in 1978.

Last week the Government was apparently panicked into shutting down, without prior consultation on the effect, all production at Ekofisk, because of fears for its slender Parliamentary majority of one.

Forthcoming events will ensure that oil development stays at the centre of the political stage. Parliament will shortly discuss

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How the gusher was tamed, Page 6

Report on diplomats delayed

1412

BY MALCOLM RUTHERFORD

SIR KENNETH BERRILL, the head of the Government's Central Policy Review Staff (the Think Tank), has asked for a further brief delay before delivering the report on official British representation overseas.

There is little expectation, however, that he will use the time substantially to tone down the recommendations. These are regarded as dangerously radical and wrong-headed by many diplomats.

The main thrust of the recommendations submitted to Sir Kenneth by his staff is that the diplomatic service as such should be abolished and that its functions should be taken over by the home civil service.

The office of Foreign Secretary would remain, though his authority would be presumably reduced because part of the responsibility for the overall co-ordination of foreign policy would pass to the Cabinet Office. It is not yet clear how far the possible consequences of this have been thought through by the members of the Think Tank.

There would also continue to be a Foreign Office. But it would be manned by members of the new unified civil service. There would no longer be any such thing as the traditional professional diplomat.

British interests abroad, it is suggested, should be pursued by representatives of the same departments as pursue them at home. On this line of thinking, consular services, for example, would be seen as an overseas extension of domestic social services and would tend to be carried out by representatives of the Department of Health and Social Security.

Counter proposals that there should simply be more exchanges of personnel between the diplomatic service and home departments have been rejected.

Much of the argument is based on the belief that since Britain is no longer a Rolls-Royce power, it no longer requires a Rolls-Royce foreign service. This is a direct hit at the previous report on the Foreign Office—the Duncan report of the late 1960s—which argued that the relative British decline made the preservation of a Rolls-Royce foreign service all the more necessary.

The Review's staff believes, on the contrary, that the present level and style of British representation gives a misleading image of the country and leads to British involvement in matters the country could better keep out of.

Sir Kenneth asked for a delay of a few more days in delivering the report last week. But it is thought that he will confine himself largely to sub-editing. The final version could then go to Dr. David Owen, the Foreign Secretary, before the middle of this month.

Dr. Owen differs from his predecessors—Mr. James Callaghan who commissioned the report and the late Mr. Anthony Crosland—in that he wants not only to publish as much of it as possible, but as soon as possible. That could mean publication in June.

Sections which [illegible] be deleted [illegible]

Smith sees inevitability of constitutional settlement

BY TONY HAWKINS

SALISBURY, May 1.

MR. IAN SMITH, the Rhodesian Prime Minister, appears to have accepted that a constitutional settlement for Rhodesia is inevitable, according to well-informed sources here.

One of the deciding factors in that acceptance is that he believes the South African Government would not hesitate to intensify pressures on the country if Pretoria were to feel that he were obstructing progress towards a settlement, the sources say. In spite of official denials in Salisbury, the only real pressures available are restrictions in vital supplies of oil and ammunition, and in transport facilities for Rhodesian trade.

But although the majority of members of the Rhodesian Cabinet appear to have accepted the inevitability of a settlement leading to majority rule, rank-and-file members of the Rhodesian Front have not been persuaded, and Mr. Smith could yet face mass resignations from the party in the wake of the expulsion of 13 rebels last week.

In apparently spelling out the seriousness of the situation, Mr. Smith could also be attempting to head off such a revolt.

The rebels expelled on Friday are likely to lodge an appeal against their expulsion.

It was also agreed at Friday's meeting that from now on only Cabinet Ministers would make public statements on the settlement issue. This was a clear rap over the knuckles for Mr. Frost, who made several disparaging remarks last week about majority rule, the Kissinger Plan and the International Trust Fund. "It's just as well it failed," he said.

The standing committee decision means that Mr. Frost has been muzzled. He is not the kind of man likely to take this sort of treatment lying down. Accordingly, his resignation may well be in the offing.

Resignations

What the revolt in the Rhodesian Front clearly shows is that although there is increasing acceptance in Cabinet and among senior Government officials that radical political change is inevitable in the next two years, most of the rank-and-file of the party still refuse to accept this.

Political observers here say that substantial numbers of resignations from the party, including entire constituency councils, are to be expected as the Right-wingers rally to a new party, presumably only after appeals have been lodged and even legal action against the standing committee has been taken.

Given the realities of the political situation, any negotiated agreement under international auspices is unlikely to be overturned by a Right-wing revolt inside Rhodesia. The whites may leave in droves, but this is no Algerian situation.

All Mr. Smith has to do in such circumstances is to tell Rhodesians—quite brutally—the stark, strategic, economic and political facts.

Clearly evident from last week's events is Mr. Smith's hypersensitivity toward any criticism of the U.S.

Just as the Patriotic Front is opposed to U.S. involvement in the Rhodesian issue, so Mr. Ian Smith is delighted at it and determined to use it to any advantage.

After many years in which the Rhodesian Government focused its public relations and propaganda campaign upon the U.K., there has been a sudden and marked shift towards seeking to influence U.S. opinion.

Whether Mr. Smith will use the expulsion of the Right wing to demonstrate his bona fides by pursuing reformist and anti-discriminatory legislation remains to be seen. One reason for suspecting that he may not do anything radical is his mistaken belief that existing discriminatory legislation can be used as a form of bargaining counter.

But further modest moves to placate black and international opinion are likely when Parliament reassembles in June.

Government to think again on Hitachi colour TV plant

BY MAX WILKINSON

THE GOVERNMENT is to reconsider plans to allow Hitachi to set up a colour television factory in the North East of England, after fierce protests from other manufacturers.

Sir Peter Carey, Permanent Secretary, Department of Industry, promised representatives of trade unions and companies in the electronics industry that Hitachi would not be allowed to come to the U.K. until after further consultations with the industry.

He made this concession after meeting united and fierce opposition during talks with the two National Economic Development Organisation working parties for electronic components and manufacturers.

The television manufacturers object to Hitachi's plans to start making sets in the U.K. because they say the industry is already working at only 60 per cent. of capacity.

They argue that any additional manufacturing plant will lead to redundancies among the companies already established.

The Government has indicated to Hitachi that it will be prepared to consider an application to set up new plant favourably on three conditions:

● The factory should be located in a development area;

● Finished television sets should include 50 per cent. of U.K.-made components and materials;

● A substantial part of the production should be exported from the U.K.

The Government believes that under these conditions a Hitachi factory could bring a net benefit to the U.K. economy by providing jobs, and inward investment.

If the U.K.-made sets were substituted for sets at present imported direct from Japan, the Government believes the balance of trade could be favourable.

Finally, it argues that if Hitachi is determined to expand sales in Europe, it would be as well for some of the sets to be made in Britain.

The U.K. set makers led by Thorn say there are already two Japanese companies manufacturing in Britain—Sony and Matsushita.

Restrictions

Between them, they will soon be producing 150,000 sets a year, and the figure could increase substantially. At present, U.K. manufacturers supply about 85 per cent. of the home market of 1.6m. sets a year.

Fears in the industry are widespread that the Japanese are planning an invasion of the U.K. market as a springboard for the rest of Europe.

So far, the Japanese have been curbed by the EMI-Telefunken's PAL licence which restricts them to smaller sizes of screen.

The U.K. set makers believe one of the main motives for setting up factories in Europe is to get round these restrictions.

The industry also fears Hitachi would use a base in this country to start another round of price-cutting.

In any price war, the Japanese would have a big advantage because they would be backed by the huge volume of component production in Japan. The total Japanese set-making capacity is about 10m. a year, equal to that of all European countries put together.

Above all, the U.K. manufacturers are bitterly angry that the Department of Industry should have taken negotiations with Hitachi to an advanced stage without consulting them.

They told Sir Peter on Friday that this behaviour by the Department was inconsistent with the Government's aim to develop a joint industrial strategy with the companies.

● An all-party deputation of MPs will try to-morrow to persuade Mr. Eric Varley, Industry Secretary, to refuse permission to the Japanese Hitachi company to open the plant.

Government may lose rural transport vote

BY PHILIP RAWSTORNE, LOBBY STAFF

THE GOVERNMENT faces possible defeat in the Commons to-night when the Conservatives will force a critical vote against its rural transport policy.

Liberal MPs are to meet earlier to-day to decide whether to join the Conservatives in voting to reduce the salary of Mr. William Rodgers, the Transport Minister, by £100.

The debate will largely anticipate next week's division on the Finance Bill provisions to implement the Budget's increase in petrol tax.

Since the main argument of the Liberals against the petrol tax has been its effect on rural transport, Liberal MPs are expected to vote against the Government to-night if no concession to their demands is announced.

LOMBARD

Trouble building up for the societies

BY ANTHONY HARRIS

THE building societies, which have never really recovered the public respect they lost during the great house price boom of 1972-73, are getting a bad Press again, and they partly deserve it. The main subject of public comment, from the Chancellor down, is the grotesque gap which has now opened up between building society interest rates and commercial rates; it would be nice to be able to say that this is the greatest of their problems. What is getting less comment, but is perhaps more disturbing in the long run, is their prospect for the future. Like an ageing businessman, they are out of date and much too fat.

Branches

Some of the more forbidding facts are set out commendably clearly in the latest issue of the Journal of the Building Societies' Institute. What is clearest is that a decade of monetary growth has done more to fuddle judgment than to permit a boom and bust in house prices. It has also induced a kind of branch-building insanity. One had always supposed that the mergers which have been such a feature of the movement in recent years were supposed to assist some sort of rationalisation. Instead, the number of branch offices has virtually doubled since 1969, from 1,777 to over 3,500.

Since deposits have in the same period more than tripled, one might suppose that the growth was justified in purely monetary terms; but of course costs—wages, rates and the rest—have risen by far more than the 50 per cent or so increase in deposits per branch.

This administrative pot-belly both helps to explain why the movement is now working on what at least one clear-sighted building society leader has admitted are embarrassingly high margins, but it also makes the ... much more vulner... The Government ... impatient ... creep of ... move... to do ... price ...

gerous. The welcome reform of the monetary control system which is at last in hand has one implication which is perfectly clear: interest rates are likely to be much more volatile in the short run than they have been until now. It is true, of course, that if the reformed system is well run, the rate will be less unstable in the long run, since there should be fewer crises; but a period in which both the level and the trend of rates is much less clear than it has been will be a very awkward one for the movement.

The difficulty lies in managing the flows of more or less hot money which are generated whenever the movement gets far out of line with the market. A large part must prudently be invested in the market; and since the movement by definition gains funds when bond prices are high and loses them when they fall, it must either risk capital losses or invest short and make a running loss.

The Government's new floating-rate bonds will be some help, simply because they will yield more with reasonable (but far from absolute) capital security; but unless the movement can devise some way of keeping its own rates more closely in line with the market (which would at one blow stabilise the flow of deposits and solve the running loss problem), the societies are still in trouble.

Vulnerable

Meanwhile, the movement still has to think about its lending activities in a future in which, as James Morrell points out in the same Journal, its market may well be come largely ex-growth in real terms. There is a large potential market for improvement loans and second mortgages; but are the managers of all those 3,500 branches competent to deal in these potentially riskier fields?

The leaders of the movement are clearly brooding about these problems, and not a moment too soon; for unless the movement can think of some better answer than high rates and large margins, it is only too easy to imagine the kind of political trouble that could follow—Bank/Treasury controls, perhaps through a special deposit account, a demand that inflated costs should be cut and branches rationalised, threatening noises on the Right and Left about keener competition or nationalisation (for all the irrelevance of both propositions). The movement is vulnerable; I hope it is also wide awake.

THE WEEK IN THE COURTS BY JUSTINIAN

Arsenal case may provide gauge for Gouriet appeal

THOSE WHO ARE looking for straws in the wind to gauge what will happen when the Attorney-General takes his appeal against Mr. John Gouriet to the House of Lords on June 16 may turn to what their Lordships said last week in *Arsenal Football Club Ltd. v. Smith (Valuation Officer) and another.*

At least Lord Wilberforce's acknowledgement of the litigious busybody as a legally respectable individual may excite interest, for Mr. Gouriet had no personal interest — only an individual citizen's public concern — in preventing the Post Office unions from organising a week's strike in January against South Africa over its policy of apartheid.

The busybody in the Arsenal case was not a meddlesome one. Mr. Theodore Ende challenged the rateable value of £9,250 for the Arsenal's ground at Highbury. He took the view that the value was too low, and so in March, 1972, he suggested a figure of £60,000.

Arsenal objected to this proposal, as did the valuation officer for the area, and the matter went to the local valuation court. The court held that Mr. Ende was entitled to make the proposal, and it increased the rateable value to £13,900.

Arsenal and the valuation officer appealed to the Lands Tribunal which decided to hear as a preliminary issue whether Mr. Ende was entitled to busy himself with an issue between the Arsenal and the rating authority.

The Lands Tribunal said that Mr. Ende was not entitled to intervene, but the Court of Appeal reversed that ruling and so Arsenal took their case to the final round in the House of Lords. There, at the final contest, they lost. The individual ratepayer triumphed over the famous football club in the association football world.

Multiple

The question that the courts had to consider was whether Mr. Ende was a person "aggrieved" by the value ascribed to the Highbury Stadium, within the meaning of the General Rate Act, 1967. Mr. Ende claimed his status as an aggrieved person on three separate grounds.

First, he said that, since he was a managing agent of premises in the same London borough as the Highbury Stadium, namely Islington, he had a genuine complaint that the low valuation on Arsenal would affect the rates payable by him and other ratepayers in the borough. He is managing agent of a house in multiple residential occupation.

He does not own the property, but he has the duty of collecting the rents from the tenants. The question was: Did he "receive" the rents? Rating law makes a distinction between a person who receives rents and a person who is entitled to receive the rents, namely, the owner of the property.

Mr. Ende clearly did receive the rents. His name appeared in the Rate Book in respect of the property; he was personally liable for the rates; his goods could be distrained against if he failed to pay.

He had no beneficial interest in the rents (unless by way of commission) and he was presumably entitled to be indemnified by the owner against his liability for the rates. But the Act of Parliament put him, for the purposes of rating, in the position of a ratepayer.

This was done by the legislature deliberately to save the local authority the trouble and expense of searching for the owner and having to proceed against him. Mr. Ende in effect had all the rights—as well as the liabilities—which he would have had if he were actually in occupation of the property and as ratepayer in his own right.

Second claim

Mr. Ende's second claim to challenge the rateable value of the Arsenal football ground was that he lived in a flat in the London Borough of Hackney which adjoins Islington. As such, both are within the area of the Greater London Council and the Metropolitan precepting areas.

The rates that he has to pay to Hackney consist, as to two-thirds of the amount, of money required by precepting authorities, the GLC and the Metropolitan Police. Islington, as others of the 32 precepting areas, is in the same position as Hackney.

Part of the rates payable by Arsenal go for the same purposes into the precepting fund. There was therefore no difference in principle between Mr. Ende's interest as, in effect, a ratepayer in common with Arsenal towards those precepted purposes and his interest as a ratepayer in common with Arsenal towards the borough rates of Islington. In the two capacities Mr. Ende had the right to make the proposal to the valuation authority. He was an aggrieved person in relation to the low valuation of the Highbury Stadium.

So far, Mr. Ende showed some real interest in the reassessment of the rateable value of the Arsenal's property. His residence in Hackney and his estate management business in Islington both qualified him as being affected by the valuation, and hence made him in the eyes of the law an aggrieved person.

His third, alternative way of claiming his right to contest the valuation will make the Gouriet supporters feel that Mr. Ende has not provided a precedent for them to lean on when they come to assert the right of any citizen to by-pass the Attorney-General's refusal to allow Mr. Gouriet and any other like-minded citizen to go to the courts for an injunction against trade unions taking industrial action.

Mr. Ende is a taxpayer. But the House of Lords, in support of the Court of Appeal and the Lands Tribunal, thought that that circumstance did not give him a *locus standi* to make proposals for altering the valuation of the Arsenal football ground, even though taxpayers, in effect, contribute by rate support grant to the borough finances.

Acceptable

His interest on that score was too remote. The House of Lords ruled that there comes a point at which the law has to draw a line between the acceptable busybody and the meddlesome busybody.

If the individual's status is that only of taxpayer his claim is too remote. The remoteness is not made the less so because the boroughs of Islington and Hackney are in beneficial receipt of funds provided by the national exchequer from taxation.

That such funds are received for purposes of the rate support grant based upon their respective total rateable values; that Mr. Ende as a taxpayer contributed to the national exchequer and thus; that the burden on him was heavier than would be the case if the rateable properties were correctly valued did not make him any more or less removed from his concern in regard to Highbury Stadium.

What is more, the concern of all other taxpayers is also far removed. The resident of, say, Luton, even if he is a rabid fan of Arsenal, could not come to the courts and complain of Arsenal's rates liability.

If it is true that the vast increase in local government finances makes the impact of any correction of individual rateable values almost imperceptible, it is also the case that the area of error may have correspondingly increased, so that one correction may be followed by a multitude of others (there are over 33,000 municipal power dwelling-houses in Hackney).

To that extent the local ratepayer has a right of access to the courts; the taxpayer has not.

* *The Times Law Report April 28, 1977.*

GOLF BY BEN WR...

Gallardo wins play-off

COMO, May 1.

ANGEL GALLARDO won the Italian Open Championship at Monticello Golf and Country Club here this evening, when he beat Brian Barnes, the British Ryder Cup player with a brilliant birdie at the fourth hole of a sudden-death play-off.

The Spaniard had started the day two shots ahead of Barnes and leading his nearest rival, the left-handed Yorkshireman, Peter Dawson, who was to finish third, by two. Gallardo had rounds of 71, 69, 72 and 74 for a two-under-par total of 286, while Barnes had rounds of 72, 71, 74 and the best of the day, 69, to tie.

Dawson had rounds of 72, 72, 70 and 73 for a one-under-par total of 287 to edge out another Spaniard, Salvador Balbuena, by a single shot. Philippe Toussaint of Belgium, and the 20-year-old Spaniard Severiano Ballesteros at level par, and the former wrestler from the Canary Islands, was alone at two-over par, and yet another Spaniard, Jose Cantizares, tied with the Ulsterman, Eddie Polland at three-over par.

The day was grey, overcast but dry for once — at least overhead for a 20-mile-an-hour wind gusted down from the Alps through the afternoon. So the eventual duel between the small Spaniard and the Scottish giant became intriguing, in that the filthy conditions were very much in favour of the latter.

One by one the challengers fell by the wayside, and so it was left to Barnes and Gallardo to trade birdie for birdie and eagle for eagle. At one stage, Barnes actually grabbed the lead with an eagle three at the 440-metre par five 11th hole as Gallardo was dropping a stroke behind him, at the tenth. But the little Spaniard also made a marvellous eagle three at the 11th hole in his turn, and this brought them back level.

With three holes to play, both men were level at three under par, then Barnes dropped shots at both the 16th and 17th holes to let in his opponent.

The 375-metres 16th hole, with water all the way down the left, caused trouble, as the Spaniard was playing very long into the wind and the Spaniard could not reach the green in two

shots. He dropped a par here, but still le... until Barnes persuaded foot putt down the ... the rear fringe of the ... for a birdie.

The play-off started par-four 10th hole and lipped out his putt fro... win it with a bir... Spaniard had anoth... chance at the par-three next hole designated for but this time he mis... left for a birdie.

Both men went thr... par at the 180 Gallardo played a ... chip only just on to the surface, but Barnes, wo... only to get the ball back hole to put intolerable on his rival, skidded fully six feet by. gravely ... Barnes followed him in.

Then it was that played his master stroke a six-iron shot from the rough after a free drop mud only a foot from His magnificent birdie closed the door.

Probably down, but not yet ...

END-OF-THE-SEASON games involving a club struggling to avoid the dreaded drop into the Second Division are inclined to be dire, drab and over physical, but this was certainly not the case at White Hart Lane, where Tottenham Hotspur, with two late goals, beat Aston Villa 3-1.

The match positively crackled with entertainment, contained much fine attacking football and produced, at both ends, an astonishing number of genuine scoring chances, several fine saves and some incredible misses.

The main reason for all the excitement was the composition of the Villa team because of injury. Mortimer, Cropley and Little formed an elegant half-back line, which was a delight to watch when going forward, but they were unwilling to challenge sufficiently to win the 50-50 ball.

As a result, their more defenders but less skilful opposite numbers were allowed too much space in the second half. This enabled them to exert so much pressure that the visitors' rearguard, containing two comparatively inexperienced full-backs, eventually cracked.

In the opening stages, Little engineered an opening for Gray which this outstanding opportunist uncharacteristically squandered. But shortly afterwards Deehan headed home a free kick to give the visitors the lead and to suggest that their smooth style would provide them with yet another victory. However Spurs gradually settled down, encouraged by a goal from a cleverly-flighted free kick by the talented Hoddle, and although their attacking moves lacked the finesse of their more cultured opponents, they were just as threatening.

After the interval the totally committed Spurs took control with only occasional flashes of brilliance from Villa, but they had to wait until five minutes from the end for Jones to score with a fine shot on the turn. Taylor, who had replaced the rather awkward Moores made the absolutely certain of victory with another good goal.

As there are only two matches remaining, including away at

SOCCER

BY TREVOR BAILEY

Manchester City, Spurs ... lucky to escape relega... What surprises me is ... should be in their pre... dicament, because on occasions this season I h... the team they have played ...

With nothing at stake Villa were not at their Saturday, although they vide moments of magic move which opened Spurs defence with four struck first-time passes ... with Manchester Unit... football has given m... pleasure than that of m... clubs.

With players of the c... Little, Gray, Mortimer, and the dependable Nich... are close to becoming ... team, although they still ... cover. Liverpool, Saunders, their manage... shrewd, as instanced ... purchase of Cropley at ... backed by a Board with ... able business acumen, ... fore expect him to rec... deficiency by buying a ... e left-back, a central ... and possibly, another ... runner en keeper. If ... find these and they fit ... existing pattern the futu... bright for Villa.

Disciplined Newport too stro...

NEWPORT, DISCIPLINED and strong in defence, defeated Cardiff 16—15 in a suspense-filled Welsh final. To the credit of the sides, play was very correct and it was the more ... ten... Newport's approach that ... victory.

After a ... Cardiff produced ... individual attacks ... stroke of time ... scored their final try ... Davies converted ... rugby, ... the Cardiff attacks where Newport's ... advantage —discipline—was underlined.

As Gareth Edwards, Paul Evans or Camilleri ran, the Newport cover spread in ... but orderly lines. Poole, the experienced Newport flanker, was outstanding, ignoring the dummies and the side-steps of the Cardiff stars.

The discipline also served Newport well up front where they held sway at the line-out through Barnard and Waters. They won the secondary line-out and their colleagues regrouped to either smuggle the ball back or to surge forward. Smart did some great work at this phase and Knill's

pressure on him in the scrum was dis...ted. Cardiff, to answer ...ward, used a four-man line-out ... throw long to Dudley ... the Newport ... used his options care... with Rogers ... a ... contributor. They ... rately and instigated ... able feature of New-

...Y UNION ... ER ROBBINS

port's ... be team's quick ... unter-attack from ... reaction ... merses. Centres ... Brown a... bber made the ... important ... breaks leading to Newport's ...ies. They were well supported by Barrell, Squire and Poole.

Cardiff found their form belatedly and suffered from poor kicking in the first half. Even Gareth Edwards was guilty, but in the second half those familiar long, diagonal kicks pushed Newport back. When Cardiff ran in the first half their handling was

erratic and did not ... acceptable level of con...

Ken Davies scored N... first try after five minut... Newport's good line-out ... Webber's skilful break. Davies kicked a pena... Cardiff, but then Leighto... replied for Newport. stretched Newport's lea... another penalty in the ... and Cardiff, althou... ing more coherently, co... finish.

A thrilling individual ... Cardiff's ... Fenwick ... a touch of class that le... port again. The conver... Leighton Davies brough... score to 10—9.

Then came a critical ... in the game. Edwards ... a line-out and, with ... dropped ... for ... was an unbelievable gaffe ... fatal one. Newport added ... try by Cranton who ... Gerald Davies with a fierce ... off Webber's conversion over.

Belatedly Cardiff stormed with a try by Dudley-Jones was just reward for all his work and the efforts of ... Phillips and Robinson.

Sharing a $400,000 pot

DURING THE next two weeks the eight doubles pairs and eight singles finalists of WCT's 12-tournament World Series of Tennis will share $400,000.

Four years ago the first WCT doubles finals in Montreal offered $80,000 in prize money, with the winners sharing $40,000. This week's victorious pair in Kansas City's municipal auditorium will split $80,000 from a total pot of $200,000. Call it inflation, or over-payment for a pampered section of the sporting community—but it certainly is impressive.

The outstanding find of the season has been the pairing of the quicksilver Dutchman, Tom Okker, formerly so successful with Marty Riessen, with the gifted Pole Wojtek Fibak, holder of this title with Germany's Karl Meiler. Fibak and Okker have won five of this year's WCT tournaments, which makes them strong favourites in Kansas—the more so since Ilie Nastase, recalled for Davis Cup duty for Romania, has had to forsake his partner Adriano Panatta of Italy, with whom he won three of these tournaments.

The dynamic young American Vitas Gerulaitis comes in to partner Panatta. Their first opponents are two more rising young Americans, Billy Martin and Bill Scanlon, who finished a fifth in the doubles table.

Other pairs in action in Kansas are second seeds Ross Case and Tony Roche of Australia, who play America's Eddie Dibbs and the Italian Davis Cup

TENNIS

BY JOHN BARRETT

hero Corrado Barazzutti. Vijay Amritraj of India and the American Dick Stockton, who face a scratch pair in South Africa's Ray Moore and the veteran Australian Ken Rosewall, and another Australian-South African alliance in John Alexander and Cliff Drysdale, who opens on Wednesday against the favourites Fibak and Okker.

Next week in Dallas the s... singles final, worth $200,00... half that total going ... winner, will include for the time the world's No. 1 Jimmy Connors, who has sh... the WCT tour in previous ... Although he finished sec... Stockton on points Conno... a better average, and is No. 1. He has an awkwa... match against Panatta, wh... him in the opening roo... Houston a fortnight ag... then won the tournament first WCT success.

Even if Connors wins b... have problems. His pr... second opponent is Nastase last month achieved his victory against Connors i... Vegas in the WCT Cha... Cup final. First though, N... must beat Dibbs, who fi... two places higher on the ... table with a strong finish took him to the final of the qualifying tournament in ... lotte last week. The su... there was Barazzutti, whose WCT tournament win br... him from 15th to 9th pla...

Poppy Lansdowne looks safe

AFTER LOOKING to be well held a furlong from home in Saturday's £6,000 Derby trial, the White Rose Stakes at Newbury. Dick Hern's Tully came with a remarkable run in the last 100 yards to snatch the prize from the Seven Barrows-trained Accelerate.

Although the form taken at face value does not amount to much, there was a lot to like about the way Tully buckled down to his task close to home. He will certainly be seen to better advantage over an additional two furlongs at Epsom.

Top quoted at 40-1 for the Derby, Tully, a half brother by Tudor Melody to Admetus and four other winners, is by no means a definite runner for the Blue Riband. "He is still inexperienced and we will have to see how he runs next time before thinking about the Derby," Hern said after his colt's success.

Ryan Price pulled off another praiseworthy training feat when sending out Duke Ellington to land the Top Rank Club Victoria Cup.

Duke Ellington, laid off almost all last season because of a knee injury incurred while trying to get up in his box, was making his first racecourse appearance since finishing seventh behind Wollow in the 2,000 Guineas a year ago.

Although his head victory over Boldboy, from whom he was receiving 9 lbs, does not put

RACING

BY DARE WIGAN

Duke Ellington in the top bracket, he seems likely to improve. Price will probably aim him at some of the principal mile events.

The safest proposition to-day could be the twice-raced Poppy Lansdowne, who travels to Edinburgh for the Corstorphine Stakes rather than going to Wolverhampton for the R... Handicap.

Poppy Lansdowne, a co... bay filly by Levmoss o... Poppy Princess, found no ... culty in giving Royal Bud... lbs and a four-length beati... a 16-runner maiden eve... Warwick early last month. ...day's opponents should pro... more formidable.

At to-day's other flat me... Wolverhampton, Busted's ...viously unraced half brothe... Tudor Melody colt Spare A ... is expected to make a wi... debut in the Watling S... Maiden Stakes.

WOLVERHAMPTON

2.15—Leaside

2.45—My Mirage*

3.15—Blaky Ridge

3.45—Spare A Dime**

4.15—Selenis

4.45—Royal Budget

EDINBURGH

3.00—Working Girl

4.30—Fleeting Spirit

5.00—Poppy Lansdowne

BBC 1

6.40-7.55 a.m. Open University (UHF only). 9.38 For Schools, Colleges. 10.45 You And Me. 11.00 For Schools, Colleges. 12.45 p.m. News. 1.00 Pebble Mill. 1.45 The Flumps. 2.01 For Schools, Colleges. 3.15 Songs of Praise. 3.53 Regional News (except London). 3.55 Play School. 4.20 Marine Boy (cartoon). 4.40 Kizzy. 5.10 Blue Peter. 5.35 Fred Basset. 5.40 News. 5.55 Nationwide (London and South-East only). 6.20 Nationwide. 6.50 A Question of Sport. 7.20 The Mackinnons. 8.10 Panorama with the President: Discussion with President Carter. 9.00 Party Political Broadcast by The Labour Party.

9.10 News. 9.35 The Monday Film: "Never Give An Inch," starring Paul Newman. 11.25 To-night. 12.00 Weather/Regional News.

All Regions as BBC-1 except at the following times:— Wales—1.45-2.00 p.m. Pili Pala. 5.55-6.20 Wales To-day. 6.50-7.20 Heddiw. 9.00-9.10 Party Political Broadcast by the Labour Party in Wales. 12.00 News and Weather for Wales. Scotland—5.55-6.20 p.m. Reporting Scotland. 9.00-9.10 Party Political Broadcast by the Labour Party in Scotland. 11.55-12.00 Public Account (Scottish politics). 12.00 News and Weather for Scotland. Northern Ireland—3.53-3.55 p.m. Northern Ireland News. 5.55-6.20 Scene Around Six. 6.20-6.50 Land 'n' Larder. 12.00 News and Weather for Northern Ireland. England—5.55-6.20 p.m. Look East (Norwich); Look North (Leeds, Manchester, Newcastle); Midlands To-day (Birmingham); Points West (Bristol); South To-day (Southampton); Spotlight South-West (Plymouth).

BBC 2

6.40-7.55 a.m. Open University. 11.00 Play School. 4.00 Worktalk. 4.30 The Education Debate. 4.55 Open University. 7.00 News on 2 Headlines. 7.05 Arlott and Trueman on Cricket. 7.30 Newsday. 8.00 Monty Python's Flying Circus. 8.30 Spike Milligan in Q6. 9.00 Party Political Broadcast by the Labour Party. 9.10 Don't Forget To Write! 10.00 The Wealth of the Roman World. 10.20 Women at War. 10.50 Late News on 2. 11.00 Open Door. 11.30-11.35 Closedown: Gerry Watson reads "Hawk" by George Mackay Brown.

BBC-2 Wales only—9.00-9.10 p.m. Party Political Broadcast by the Labour Party in Wales. BBC-2 Scotland only—9.00-9.10 p.m. Party Political Broadcast by the Labour Party in Scotland.

LONDON

9.30 a.m. For Schools. 10.52 Popeye. 11.05 For Schools (continued). 12.00 Jamie and the Magic Torch. 12.10 p.m. Rainbow. 12.30 Drive-In. 1.00 News. 1.20 To-day's Post. 1.30 Indoor League. 2.00 Good Afternoon. 2.25 Sam. 3.20 Personal View: Tommy Steel. 3.50 Emmerdale Farm. 4.20 Clapperboard. 4.45 The Flockton Flyer. 5.15 Batman. 5.45 News. 6.00 To-day. 6.45 The Little and Large Tellyshow. 7.30 Coronation Street. 8.00 Sam and Son. 8.30 World in Action. 9.00 Party Political Broadcast on behalf of the Labour Party.

9.10 Charlie's Angels. 10.10 News. 10.40 Appointment With Fear: "Twins of Evil," starring Peter Cushing. 12.20 a.m. Close: Leonard Pearcey reads "Prayers from the Ark," by Carmen Bernos de Gasztold, translated by Rumer Godden.

All IBA Regions as London except at the following times:—

ANGLIA

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ATV MIDLANDS

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BORDER

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CHANNEL

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GRAMPIAN

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GRANADA

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HTV

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SCOTTISH

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SOUTHERN

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TYNE TEES

...

ULSTER

...

WESTWARD

...

YORKSHIRE

...

RADIO 1

247m

...

RADIO 2

1,500m and VHF

...

RADIO 3

464m, Stereo & VHF

...

RADIO 4

434m, 330m, 285m and VHF

...

BBC Radio London

206m and 94.9 VHF

...

London Broadcasting

261m and 97.3 VHF

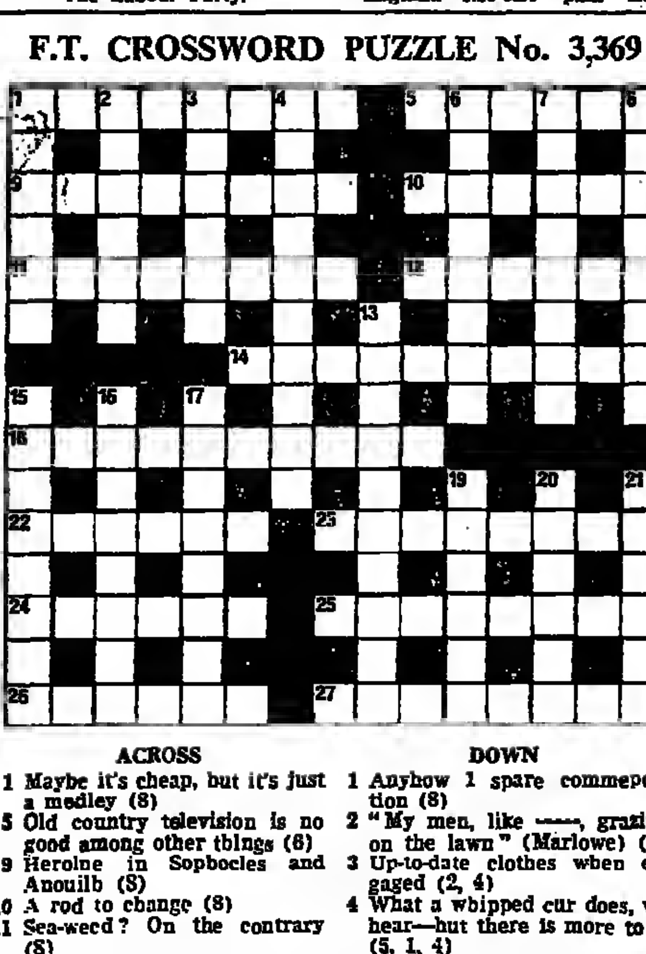
...

Capital Radio

194m and 95.8 VHF

...

F.T. CROSSWORD PUZZLE No. 3,369



ACROSS

1 Maybe it's cheap, but it's just a medley (8)

5 Old country television is no good among other things (6)

9 Heroine in Sophocles and Anouilh (8)

10 A rod to change (6)

11 Sea-weed? On the contrary (8)

12 A custodian who sometimes has to face a penalty (6)

14 Whatever the consequences, we must have lofty commanders in the ATS (2, 3, 3, 5)

18 Where the bachelor takes his final trip (2, 3, 5)

22 The province of a politician in Ireland (6)

23 Forms of transport causing disturbances after tea (8)

24 Prevails in wet weather. It seems (6)

25 "Will take from both a deep tone" (Shelley) (8)

26 Get Sid in the abstract (6)

27 When you enter by this, you're looking 18 (4, 4)

DOWN

1 Anyhow I spare commendation (8)

2 "My men, like ——, grazing on the lawn" (Marlowe) (6)

3 Up-to-date clothes when engaged (2, 4)

4 What a whipped cur does, we hear—but there is more to it (5, 1, 4)

6 They don't give the old copers a look-in (3, 5)

7 Admits there is not so much about the past upset (4, 4)

8 Morphia's odd maxim (8)

13 Cheerless parliament in novel form (5, 5)

15 The old King makes the girl blush (8)

16 Waiting for dental treatment (8)

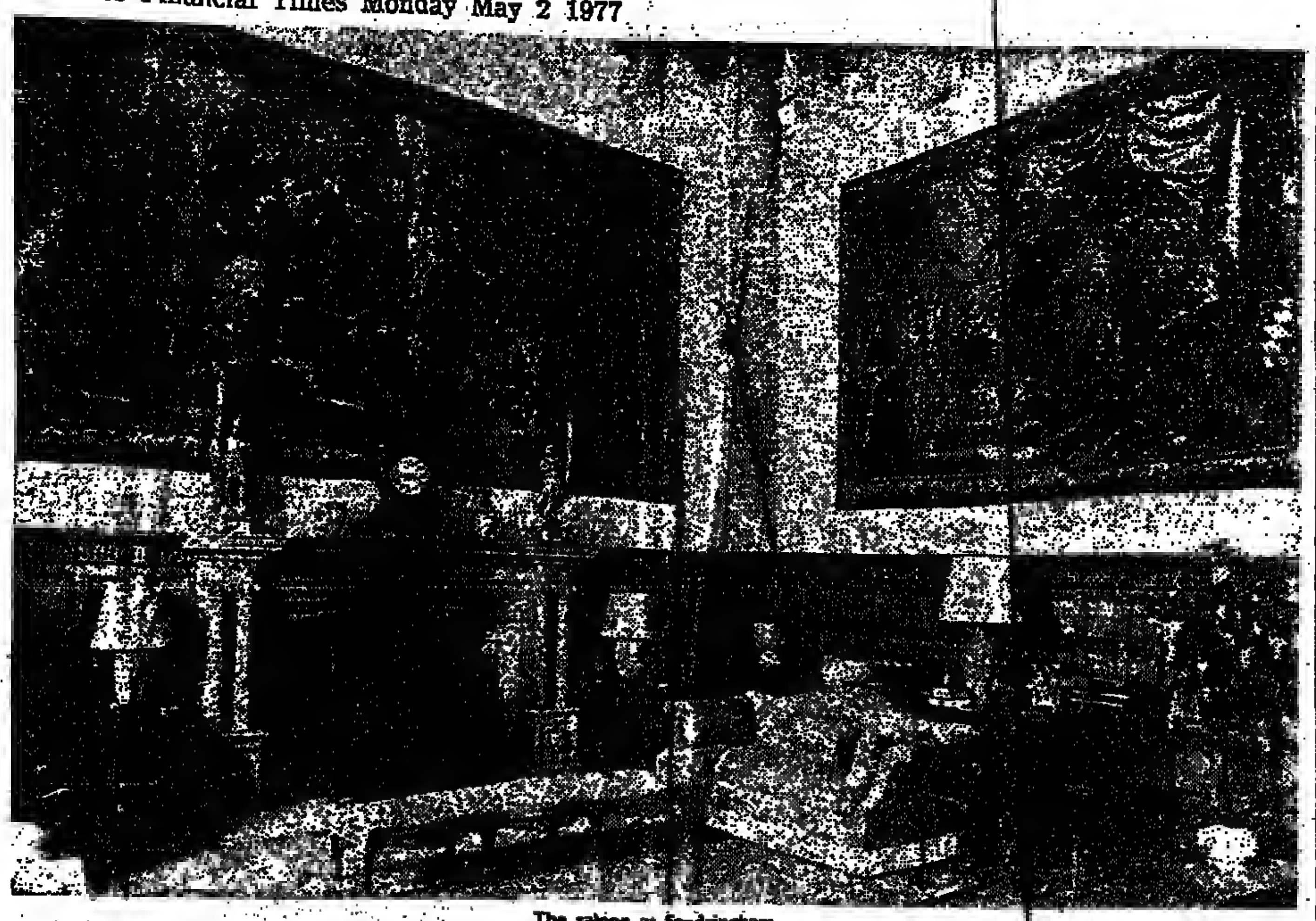
17 Old airline telephones directions (8)

19 Novelist roused from stupor (6)

20 Carried nothing to the island (6)

21 Gee! room in the inn (6)

The solution of last Saturday's prize puzzle will be published with names of winners next Saturday.



The saloon at Sandringham

Sandringham

Comfort rather than taste

by ANTONY THORNCROFT

Some of the Royal residences are palaces; others are homes. Sandringham House, which opens half a dozen of its rooms to public view this week for the first time, is very much a home. Not anybody's home—there are still two hundred rooms remaining after the recent renovation lopped off ninety that were surplus to needs—but the home of a recognisable type: the Victorian country gentlemen whose life revolved around sporting pursuits.

Sandringham is sited in remote country in north Norfolk, with plenty of heath and woodland protecting its privacy. Although the original idea was Prince Albert's the house was basically the country home of his son, the Prince of Wales, later King Edward VII, and the dedication over the main doorway is to Edward and Alexandra, and dated 1870, when the house was completed.

It was the work of Humbert, a protégé of Cubbitt, and, strangely, is his only known house. He is best remembered as the architect of the Windsor Park mausoleums of Queen Victoria and Albert.

There is little of gloom about Sandringham. Its solid, red brick, Jacobean, face fronts on to well-trimmed lawns, and light pours into the ground floor main rooms, the only section open to the public. There may be an absence of architectural elegance in the appearance but in compensation there is a great deal of sturdy comfort.

From an artistic point of view Sandringham has limited attractions. During the past century the Royal Family has not been conscientious collectors, and apart from Queen Mary's oriental jades the furnishings still represent the Royal established work available to a rich customer in the 1860s. Much of the furniture was made by Holland and Sons, and so now is back in favour. It is less ponderous than much Victorian furniture and, as a consequence, all the rooms exude a sense of freshness and formalised ease.

Many of the pictures are of Edward when Prince of Wales: he seems to have had a great fondness for his own likeness and that of his relations. Winterhalter is well represented, but the only other artist of note on display is Edward Hughes, who painted three pretty pictures of Alexandra and two of her daughters actually into the panalling of the Main Drawing Room, the most attractive room on show.

Edward was not much interested in collecting and about the only sidelight to his character among the works of art is a naked nymph by Gustave Doré which is rather tucked behind a corner in the ballroom corridor. Sporting guns could be considered things of beauty, and there is certainly a magnificent group on display. They are the most valuable items at Sandringham, matched by the weapons of war presented to the Prince during a tour of India in 1875-76.

There are few domestic secrets to be nosed out by the curious, apart perhaps for a Victorian fire screen covered with photographs, presumably cartes de visite, but politicians seem to outnumber actresses. In the main the Sandringham home life of the Royal family is passed in well-decorated, pastel shaded rooms, opening on to each other like a 16th century stately home. The scale is large without being grand; the artistic furnishings very much in line with the taste and the pocket of any rich Victorian family with no particular artistic leanings.

There is a comforting ordinariness about Sandringham, with nothing to suggest that the real life of the residents does not take place in the attractive grounds, and the wilder countryside, outside.

The Entertainment Guide is on Page 41

ENGLISH BACH FESTIVAL

Elizabeth Hall

Concentus Musicus by DOMINIC GILL

For more than 20 years, Nikolaus Harnoncourt's Concentus Musicus of Vienna has been one of the best-known and most highly regarded of those ensembles which specialise in the "authentic" performance of Baroque music on original instruments. Their playing and their researches have sustained, and often enough directly inspired, the post-war revolution in Baroque performance practice. Many of the Concentus' records indeed, notably those of the Bach Passions, have been more than an inspiration: a revelation to audiences whose knowledge of Bach derived solely from the bastard Victorian traditions.

It is difficult to conceive how, except for all the usual reasons of British complacency, the Concentus can have avoided visiting London all these years. But all praise to Lina Lalandi for organising on Saturday night, with her customary élan, their much-delayed South Bank debut. They gave us Bach, Couperin and Rameau: a characteristic programme of familiar works and comparative rarities, done with fine virtuosity, energy and style.

The rarities were both from France: a suite, presumably devised by Harnoncourt himself, of instrumental numbers from Rameau's third opera *Castor et Pollux*, brimming with gaiety cut with a nice, elegant humour, delivered with marvellous energy and clarity. Their performance, too, of Couperin's little in-group entertainment *L'Apothéose de Lully* had great charm, linked by short narrations spoken by Harnoncourt, illuminated throughout by the radiant playing of Leopold Stastny on wooden transverse flute — soft and bell-like, clean and wholly unsmothered — which blended so smoothly in Bach's C major orchestral Suite with the sound of the two 18th-century wooden oboes played by Jürg Schaeftlein and Paul Hailperin: extraordinary sonority, in its simplicity and clarity irreducibly right. It would have been still more exciting to hear the fifth Brandenburg played by this ensemble of nine virtuoso musicians in a hall the size of the Wigmore or Purcell Room: the acoustic of the Elizabeth Hall sometimes favoured the more resonant strings and flute at the expense of the harpsichord. But it was a magnificent performance nonetheless, light and clean-limbed, unsentimental but not dry, sprung with electrifying prestissimo keyboard articulation by Herbert Tachezi.

*

The Harnoncourt group's second concert, on Sunday afternoon, brought more Rameau and more Bach. A generous selection of dances and *airs dansés* from *Les Indes galantes* embraced some of Rameau's most colourful and ingenious dance music (and that is saying something), with ravishing examples of two dance-forms, Tambourin and Musette, that stimulated his endless invention as surely as the Minuet inspired Haydn and Mozart to ever new ideas. In the fino Chaconne the oboes played so brilliantly that one scarcely missed trumpets and drum.

Though concert performance of extracts can give no idea of the skill with which Rameau organised a whole act of an opera or ballet, 18th century composers were so ready to use existing music in new contexts that there is no ground for complaint. All the same, about these highly-finished performances there was something studious that removed them to the salon (a superior, intellectual salon, of course) away from the smell of size and greasepaint in the theatre were they belong.

The Bach half included a Concerto in A for harpsichord (BWV 1055) which I don't remember hearing before, but given a soloist with Herbert Tachezi's ability to make phrases supple without holding up the flow, would like to hear again, and the familiar, always welcome Overture in B minor for flute and strings. The Bourées were too fast for complete clarity; otherwise the playing of Leopold Stastny was equally admirable for agility and for cogent phrasing.

Between the instrumental works Jennifer Smith sang the Wedding Cantata *Weichet nur* with such rhythmic buoyancy and fineness of shading (in words as well as tone) that one might have imagined she performed with the Concentus every day. Nothing in the programme gave greater pleasure than the accord in the aria "Wenn die Frühlingslüfte streichen" between voice, violin obligato (Alice Harnoncourt) and cello continuo, played by the founder-director himself. If only more continuo players had his gift for making the simplest cadence sound sensitive and meaningful instead of merely sawing dutifully away, and if only more baroque groups could play so well in tune!

RONALD CRICHTON

Beethoven in the original

Last year the Collegium Aureum, a conductorless band of expert musicians who record for Harmonia Mundi, made their English debut at the Festival in a Bach programme. They returned on Friday for a concert in honour of Beethoven's 150th anniversary, performing the Triple Concerto and the Eroica Symphony in their usual manner—the first violin Franzjosef Maier directing (helped out in the concerto, when busily engaged by the solo part, by Paul Badura-Skoda at the fortepiano). The instruments were originals or faithful copies: gut strings, light bows, and a total of just over 30 players.

The results were fascinating both as musical experience and as historical demonstration. The Triple Concerto is notoriously difficult to balance securely. Using a fortepiano (an 1823 Broadwood from Richard Burnett's collection) and light-toned violin and cello did not entirely solve those problems—one could still see why Beethoven frequently gives the cello first say among the soloists—but instead of threatening to stifle the musical interest the problem stimulated it. The passage-work for the soloists which on modern instruments easily appears merely strenuous as if his bust had been turned round to face the past, with the scowl changed possibly to a smile of acknowledgement. Franzjosef Maier's double role did not have the distracting effect on his violin playing often observed when leaders of chamber orchestras act as conductor. Anner Bylsma shaped the solo cello part so sensitively that the comparative lightness of his tone was soon forgotten. Badura-Skoda's experience ensured that the fortepiano (always a delight instrument to hear but not often so well played) seemed better fitted than usual to the strains of modern concert life.

It was both bravo and wise to choose the one of the smaller symphonies that one would expect to gain from the use of original instruments but the powerful, epoch-making Eroica. At first it seemed that the notable decrease in the weight of sforzando accents so important in Beethoven would seriously weaken the impact, but it soon became clear that the harmonic tensions relentlessly built up over long spans were working to loss strongly than usual. The syncopated chords, because they were still brutal in proportion to the rest, lost virtually none of their responsive logic. For a band of this size, three double basses were quite enough to underpin the *marcia funebre*.

As usual when old or old-style instruments are used, the intonation sometimes wandered. Such moments were neither long nor unduly painful. The horns emerged unscathed from their trials in the trio of the scherzo. Listening to small ensembles playing major works in the Festival Hall demands great concentration. This by no means short programme was about half the length Beethoven's contemporaries would cheerfully sit through, yet in both finales attention began to flag. In the concerto especially, one missed the punch modern instruments bring to Beethoven's rhythms at their springiest. All the same, the experiment must be continued another year. How would Brahms sound with the numbers and types of instrument he would have expected at a first performance?

The shock of hearing the music in this new light with the 18th emphasised Beethoven's links century concerto grosso—almost was transformed into a series of subdued but scintillating washes.

RONALD CRICHTON

Glasgow Citizens

Chinchilla

A bare white stage. The sound of waves lapping quietly behind the exquisite, ethereal music of Stravinsky's *Apollon Musagète*. The lights rise and fall five times, revealing five increasingly populated beach *tableaux*: two beautiful boys in white towels arranged around an obviously "artistic" group of individuals. The sixth tableau liquidises into the opening scene. From the depths of the stage, rising from sea level to join his collaborators, there appears a hunched, drained man in a black coat with an astrakhan collar. His hair is dyed deepest black, but a grey streak has been fastidiously cultivated. The man is the centre of everyone else's attention. A sulky, heavily tanned boy in an Edwardian bathing suit is the man's "new great love." He is also the new choreographer. Chinchilla has turned from Vatsa to Maxime.

Or, for those in the know, Diaghilev has replaced Nijinsky with Massine in the forefront of his professional and personal affections. Robert David MacDonald's Bakst-ago comedy is an extraordinary play to find in the British repertory theatre. It amounts to nothing less than a beautifully sustained and extremely funny statement of aesthetic commitment. There are speeches in the play where Chinchilla and his associates define their impulse for artistic endeavour in almost valedictory tone: the designer remarks that when Maxime dances "It will be us out there on the stage." The first act closes with a long and impassioned speech in which Chinchilla declared that he will broadcast what he loves "with ardour and style and impeccable bad taste." The boys in white towelling re-group while he speaks: the others, who have been through it all and have known each other since before they started dyeing their hair, provide a sculpted background before the light closes in on Chinchilla. They are, more or less, Bakst; the impresario Gabriel Astruc (the Russian Ballet's initial French connection); Mimi who is nothing especially beyond a devoted admirer but may incorporate elements of both Pavlova and Rambert; and Ilia, a tall and affably conciliatory version of Grigoriev, the loyal *régisseur*.

We are, in fact, on the Venice Lido with Chinchilla's career flashing before him while he postpones the death-bed scene in favour of the beach-boys. Echoes here of Mann's von Aschanbach in *Death in Venice*, but there is also the context of athleticism and sport prominent in the famous Diaghilev ballet of Debussy's *Jeux*. "A ball bouncing on to a brightly lit stage" is how it started although Maxime is none too happy about always having to do that ballet "about three boys having each other at a croquet match." Richard Buckle's brilliant and entertaining book *Nijinsky* may have inspired such lines, with its anecdote of Sarah Bernhardt confusing the English past-times of cricket and football.

As may already be clear, there is a bright, arch, epigrammatic quality about Mr. MacDonald's text. That quality finds full and complimentary support in the production, designed and directed by Philip Prowse. The show excels at inflating those small but needling jealousies between people in the theatre that can result in the re-defining of a company style.

The scenes jump-cut throughout: although everything returns, in the end, to the Present, there are inquests on what has gone before in the form of re-runs of past incidents and belated attempts to sort out artistic and emotional muddles. Of course Vatsa features in many of these: as Chinchilla defends the apparent masturbation at the end of *L'Après-midi d'un faune* with the explanation to a fuming Astruc that it's a hot afternoon, he's been chasing nymphs around for 11 minutes, *etc.*. David Hayman's Vatsa limbers exotically in front of a large mirror that throws his reflection and that of the entire theatre (that is, "us") into *our* view. The point is not in the least that Mr. Hayman gives a rendition of Nijinsky approximate to what we know of the artist; he asserts a fully individual and muscular presence on the stage. It is a marvellous performance.

"He only looked his best when he was working" says one of Chinchilla's *entourage* at the end. "All queens do" snaps Gabriel. There is that level to the evening as well, and the Glasgow audience loved every minute. The show works very much under its own steam; superb theatrical use is made of many incidents compiled by Mr Buckle in his book and the verbatim repetition of Vatsa's impressions of touring in Germany ("A theatre without light is an invisible beauty") has a stinging impact. Gerard Murphy works hard and to good effect as Chinchilla; Jonathan Hyde is effortlessly sparking as Gabriel (although he should be discouraged from indulging his *penchant* for persistently imitating Edith Evans); Giles Havergal is thoroughly splendid as Ilia; and all the girls—Jill Spurrier, Anna Keaveny and Julia Blalock are excellent.

MICHAEL COVENEY

Elizabeth Hall

Pommier/Northern Sinfonia

As a solo pianist, Jean-Bernard Pommier is not yet quite in the Casadesus class—the great, lamented pianist came to mind because of the presence in Friday's Northern Sinfonia concert of the Mendelssohn G minor piano concerto and the Fauré Ballade, works in which he was sovereign. As pianist-conductor, the young Frenchman still lacks a little of the all-pervasive mastery of Barenboim (whose influence in placing of the piano and manner of handling the joint tasks has apparently been here strong and beneficial). The fact that two such distinguished comparisons could be evoked in this first London concert as director-soloist is an indication of the evening's success.

Any musician with the taste and ability to give Mendelssohn and Fauré in the same programme deserves immediate gratitude. The concerto — as cruelly unrelenting in its call on fast, glittering fingerwork as its fancy is magically light and charming—set off rather fiercely at a lick that took toll of accuracy in the soloist's opening measures. But Mr. Pommier had persuaded or rehearsed the orchestra (or, more likely, both) into quite exceptional readiness of ensemble; relaxation came quickly, the confidence and with it the atmosphere of an exhilarating performance.

The Ballade is a trickier proposition for the pianist-conductor, not because it is more difficult to set in motion, but because the inimitable feeling of distant reverie, of tranquil, luminous enchantment on the edge of perceptibility, depends so heavily on an indivisible blend of soloist and accompaniment, quite without edge, obtrusive detail or dynamic harshness. The sound of the piano was limpid, romantic, very fine; most of the instrumental responses came out several degrees too loud.

These were, despite quibbles, exceptional performances. In addition, proof was furnished, with light, well-shaped accounts of Mozart's A major Symphony, K201, and of Haydn's E flat, no. 99, at either end of the evening, of an unfussily precise baton command. To complete the pleasures of richly civilised music-making, in this case richer in depth and sinew than the adjective is often used to signify, there was a deft reading of Frank Martin's 1939 Ballade for flute (David Haslem) strings and piano—the Swiss composer's fastidious version of neo-classicism at its very crispest.

MAX LOPPERT

Purcell Room

Oboe and strings

by MAX LOPPERT

The pithy, pointful plan of Thursday's chamber recital was originally to have divided itself between Elisabeth Lutyens and Lennox Berkeley—the single examples of string trio and oboe quartet by each composer. With the recent untimely death of the London Oboe Quartet's cellist Kenneth Heath, the Lutyens string trio had to be replaced. In the event, the programme put together by the remaining members of the quartet with the expert assistance of the cellist Moray Welsh was still attractive enough to provide a striking exception to the somewhat flavourless provender of most Redcliffe Concerts.

As it turned out, the three Lutyens pieces of the first half could hardly have displayed to stronger effect her very special gift of making small statements and small musical gestures glow with graphic and emotional vividness. *Presages* for solo oboe (1963), Recitative with seven variations and a coda, was intended for and played by Janet Craxton—as unemphatically elegant as ever despite apparent initial reed trouble. The music has the listener attending to minute alterations and developments of intervallic cells, in melodic refrains gathering power by subtle, secretive means.

Requiescat, for soprano (Karen Jensen, a name new to me: clearly a singer contemporary music organisations will soon be calling on if her striking command of long, cool, steady purity is characteristic) and string trio is a 1971 setting of Blake dedicated to Stravinsky's memory. The soprano line stretches above, dips below and lingers beyond instrumental punctuation, long, gravely beautiful utterances. The longest work, the Oboe Quartet, joins all that is most personal about an intense original composer whose voice becomes more necessary the longer we live with it. Repeated oboe gestures owe their inspiration to Greek legend, a pattern of seasonal change, formal ritual and dance; the particular qualities of the music are passionate, lyrical, yet also, strangely, evolving.

After the interval, the same players returned for Berkeley's string trio (1944) and his oboe quartet from more than two decades later. The mildness, the quiet tone of voice, the fine, precise cut of the material were all recognisable. But neither piece seemed, on this occasion at least, to demand a place among those Berkeley works of stronger, deeper impact, where the surface at once conceals and suggests fascinating undercurrents. The later work mines a lean harmonic vocabulary that never draws attention to its range of fruitful ambiguities—that is not Berkeley's way.

OVERSEAS NEWS

MAY DAY RALLIES

32 die in Istanbul shooting

BY METIN MUNIR

ANKARA, May 1.

AT LEAST 32 people were killed and 150 wounded during firing on the May Day rally in Istanbul organised by the Confederation of Revolutionary Workers' Union (DISK) and attended by about 80,000 people, an Istanbul police spokesman told me on the telephone here to-day.

The Turkish Prime Minister, Mr. Suleyman Demirel, has called an emergency session of the Cabinet to discuss the bloodshed in Istanbul.

An Istanbul police spokesman said that the incident occurred when Maoist groups opened fire on the rally when it was about to come to an end. However, the spokesman could not say why he believed that the Maoists were responsible.

The Istanbul incident has been the culmination of violence which has been continuing since last Monday. The violence started when extreme right-wing people believed to belong to the Youth Branch of the Neo-Fascist Nationalist Action Party of Deputy Prime Minister, Mr. Alparslan Turkes violently attacked election rallies held for Mr. Bulent Ecevit, the Social Democratic main opposition party's leader in Eastern Turkey.

At least 24 people were wounded, six of them critically, in the attack on Ecevit and his supporters. In view of this past violence, observers are sceptical that the carnage in Istanbul to-day was caused by the Maoists.

Elections are to be held in Turkey in June, four months before they were originally scheduled.

● Police to-day shot and wounded about 30 people in Colombo during clashes between rival Sri Lankan political groups on their way to May Day rallies. They opened fire when a mob began stoning Government-owned buses carrying people to one of the several May Day meetings in this capital, a police statement said. Seven people drowned when their boat capsized on the way home from one of the rallies, reports Reuter.

Dozens arrested in Spain

BY ROGER MATTHEWS

MADRID, May 1.

THOUSANDS of riot police and para-military Civil Guards battled with demonstrators over a wide area of Madrid and in other major Spanish cities to-day as the Government sought to enforce its ban on meetings or celebrations to mark May Day.

From mid-morning Madrid's southern industrial suburb of Vallecas was bathed in smoke and tear-gas, and as demonstrators were slowly forced away from that region the centre of the city became increasingly involved. Dozens of people have been arrested and at least 30 injured, although only one is said to be in a serious condition.

The civil governor of Madrid is understood to have called out every available member of the security forces to prevent the demonstrations. Mounted riot police were in action several times with water cannons standing by and spotter helicopters hovering overhead.

Despite last-minute appeals from the authorities the three newly legalised trades unions refused to call off plans for the rally in Valleeas. One union leader explained: "We tried to celebrate May Day even during the worst years of Franco. We can't be expected to stop because the Government tells us that we now have democracy."

Italians throw bombs

BY PAUL BETTS

ROME, May 1.

A WAVE of political violence hit several major Italian cities over the week-end as the trade union movement devoted the traditional May Day rallies to the increasingly alarming problem of public order.

Left-wing extremists threw bombs at public buildings in Turin, Milan, Florence and Genoa, while in Naples a group of 30 masked Right-wing terrorists threw incendiary bombs at the headquarters of several Left-wing organisations like "Red Point" and the Communist "Che Guevara Party."

The situation has been particularly tense in Turin, where the funeral of the president of the city's lawyers' association, Sig. Fulvio Croce, took place yesterday. The Left-wing extra-parliamentary groups, the Red Brigades, have claimed responsibility for the killing of Sig. Croce, who was shot dead on Thursday afternoon in Turin.

The increase of Red Brigade terrorist attacks in Turin in the last few months, including the shooting of a policeman and the "knee-capping" of two senior Fiat executives, is widely seen as a strategy of intimidation by the extremist group, which is attempting to have the trial of 53 of its members, scheduled to resume in Turin on Tuesday, postponed yet again.

President gives in to Desai

BY K. K. SHARMA

NEW DELHI, May 1.

AFTER A 24-hour constitutional crisis that ended with a threat by the Prime Minister, Mr. Morarji Desai, to dissolve Parliament and seek fresh elections, acting president B. D. Jatti last night dissolved legislatures of nine States where the Congress was trounced in the March elections.

The Congress governments in the nine northern States, where their party failed to win any seats in the Parliamentary elections, were dismissed and President's rule (or direct government from New Delhi) was imposed. The Election Commission has been asked to hold elections to the State legislatures before the monsoons set in and it is expected they will be completed in the first week of June.

The constitutional crisis began when the Cabinet advised the acting president to dissolve the nine legislatures on Friday night and Mr. Jatti demurred on the pretext that he wanted time to consider whether he would be right in signing the necessary proclamations. This hesitation became open defiance yesterday when the Cabinet met twice to consider the situation arising out of Mr. Jatti's refusal to sign the proclamations to clamp President's rule on the nine States.

Mr. Jatti stood his ground despite two visits to him by teams of Cabinet Ministers. He gave in only when Mr. Desai wrote to him last night and said firmly that the President was bound to act on the advice of the Cabinet and that if he did not do so immediately, he would seek dissolution of Parliament and fresh elections. Mr. Jatti thereupon promptly signed the proclamations.

The acting President's defiance is thought to be part of the Congress Party's strategy to embarrass the Janata Party government. Mr. Jatti, who is a Congress Party member, was elected to the Vice-Presidency on the strength of Congress votes. He is believed to have been assured by Mrs. Gandhi and Congress leaders that he would be the party's candidate in the election of the President to be held before August 6 (the election is needed because President Fakhruddin Ali Ahmed died on February 8).

The President is elected by the two houses of parliament and the states legislatures, and the Congress candidate was certain to be elected if the nine were not dissolved. It was mainly to forestall the election of a Congress candidate that the Janata government decided to hold early state elections. But Mr. Jatti's defiance brought about the situation which the Government was trying to avert—a Congress president being an obstacle in the way of decisions of the Janata government.

With the crisis averted, all the constituent units of the Janata Party went ahead briskly with their decisions to merge and this formality was completed by a convention attended by over 10,000 delegates to-day. The constituents are the Old Congress, the Indian People's Party, the Jan Sangh and the Socialist Party. To show the unity of the Government, Mr. Jagjivan Ram's Congress for Democracy Party—which is a part of the coalition—to-day also announced its decision to merge with the Janata Party. The merger brings India as close as it will probably ever come to a two-party system, with the Janata and the Congress being the two main rivals. There are the two Communist parties but neither has much strength except in West Bengal and Kerala.

Kaddoumi spells out conditions

By Ihsan Hijazi

BEIRUT, May 1.

MR. Farouk Kaddoumi, the head of the political department of the Palestine Liberation Organisation, to-day set forth the conditions for the PLO agreeing to take part in a reconvened Geneva Conference on the Middle East.

Speaking in an interview published in the English-language weekly Monday Morning here, Mr. Kaddoumi said the U.S. and the Soviet Union, cosponsors of the conference, must send a separate invitation to the PLO, and that the Palestine question must be listed as a separate item on the agenda. The PLO must be present from the first to the last session of the conference, which must base its discussions on UN General Assembly resolutions upholding Palestinian rights and not on Security Council Resolution 242 of 1967, he said.

Mr. Kaddoumi pointed out the security council resolution referred to the Palestinians merely as refugees.

It was noted the PLO official avoided the question regarding the form in which the PLO should be represented at Geneva.

Tindemans in second coalition bid

By Guy de Jonquieres

BRUSSELS, May 1.

M. LEO TINDEMANS, the leader of Belgium's caretaker Government, has been forced to start again from scratch in his efforts to assemble a workable coalition of several parties which would enjoy a comfortable Parliamentary majority.

Yesterday, M. Tindemans went to see King Baudoin to report on the failure of his attempts during the previous week to broaden the membership of the present interim coalition composed of his own party, the Social Christians, and the Liberals.

The meeting follows the breakdown of talks which he had held with two of the principal linguistic parties, the Flanders-based Volksunie and the smaller Democratic Francophone Front, which draws its support from the country's predominantly French-speaking capital.

BRUSSELS, May 1.

These discussions stumbled on disagreements over the timetable for passing a constitutional amendment which would give a greater degree of autonomy to Belgium's three main regions, Flanders, Wallonia and Brussels. The amendment has been hanging over Belgian politics for the past seven years and M. Tindemans, fortified by a marked improvement in his party's showing at the last elections on April 17, is eager to ram it through as rapidly as possible.

Earlier last week, the Socialists, Belgium's second largest party after the Social Christians, rejected an invitation to join the coalition

Bhutto regaining control

BY DAVID HOUSEGO

RAWALPINDI, May 1.

WITH only minor clashes reported throughout Pakistan in the past few days, the curfew imposed on several towns in the Punjab and Sind province has been lifted except for Karachi where it has been considerably relaxed. Schools, which have been closed since February, and were to have opened at the end of March will return to work on Tuesday.

Mr. Bhutto, the Prime Minister, rode through the streets of Rawalpindi in an open jeep yesterday afternoon in what was intended as a victory parade after the opposition's attempt to mount a major demonstration against him—the so-called "long march to Islamabad"—came to a humiliating end. Several hundred supporters of the Pakistan National Alliance were roughly dispersed by police before they had reached their gathering point.

Though Mr. Bhutto was accompanied by a heavily armed escort, it was the first time that he had put himself at risk by touring areas of recent rioting since violence flared up in Pakistan's cities after last month's general election. It also marked a sharp reversal of his fortunes from just over a week ago when the inability of the civil authorities to stem the street agitation forced him to impose martial law in the three major cities of Karachi, Lahore and Hyderabad.

Mr. Bhutto's regime is thus attempting to project an image of a country returning to normal and of Mr. Bhutto once again in charge of events. It is a picture that glosses over that martial law is still in force in three cities, several thousand are still in prison, rigorous Press censorship has been brought back, the parliament is a rump because of the opposition boycott and that much of industry is still at a standstill.

Though the immediate threat to Mr. Bhutto has been removed, the longer term problem of relaxing his iron grip remains. In line, however, with the new note of regaining the upper hand, Mr. Bhutto yesterday gave the impression that the United States was knuckling under after the bitter attack he delivered last week accusing the Administration of financing the PNA's campaign to overthrow him. Clutching a letter from Mr. Cyrus Vance, Secretary of State, he told a cheering crowd drawn mainly from supporters of his own peoples party that the U.S. had offered private talks to settle Pakistan's grievances.

His speech came at the end of his hour through some of the empty rubble strewn streets where the heaviest clashes had occurred. Riot police using tear gas and lathis (thick metal topped canes) broke up groups of demonstrators before they had time to link up. The leaders were bundled into lorries and taken away.

The main reason for the failure of the demonstration, however, was the efficiency of the police during the previous days in preventing PNA supporters from entering Rawalpindi. The march was thus reduced to a local affair.

Undoubtedly the unexpected success of Mr. Bhutto in consolidating his position has strengthened his hands in bargaining with opposition leaders who are still being held at the government residence at Sihala. They have yet to reply to Mr. Bhuttos verbal offer to hold fresh general elections on condition that he remains the head of an interim government.

Vance clarifies stance

BY JUREK MARTIN

WASHINGTON, May 1

MR. CYRUS VANCE, the Secretary of State, said over the weekend that the U.S. must accept that there were limitations on what it could do to promote the cause of human rights overseas.

His speech at the University of Georgia represents perhaps the most precise definition of the U.S. human rights policies since the heady early days of the Carter Administration. It may also have been delivered with half an eye on next weekend's economic summit in London, at which President Carter is expecting some criticism from other nations.

Mr. Vance did not retreat from the goals espoused by President Carter, but stressed: "We must always keep in mind the limits of our power and wisdom."

He first listed what he considered to be fundamental human rights—the right of the individual to be free from "governmental violation of the person" (torture, arbitrary arrest etc.), the right to basic needs (shelter, food, health care and education) and the right to enjoy civil and political liberties.

Suharto needs decisive election victory

BY OUR FOREIGN STAFF

INDONESIA votes to-day for 360 members of a 460-seat parliament (the army appoints the other 100) which rarely votes, never challenges the administration and takes virtually no part in formulating or introducing policy. Members of the administration are not permitted to belong to political parties.

The election campaign preoccupied the country for much of the past year, with tens of thousands attending rallies all over the country and hundreds of thousands in Jakarta. Forests of posters have sprung up in the bigger towns. The administration insisted that all visa applications by foreign journalists over the past few weeks be processed in Jakarta, and has restricted foreign Press travel within the country, ensuring that international coverage of the poll is kept to a minimum.

Both President Suharto and the army are anxious to win—and to be seen at home and abroad to have won—a vote of confidence in their regime.

Few doubt that the ruling Golkar group — an organisation created by President Sukarno to represent unions, various social classes, professional and religious groups — will retain its present majority of around 60 per cent. But the President and the army would prefer a relatively clean election with a minimum of strong-arm tactics. This would give him a strong base when he stands for re-election as President next year.

The main challenge to Golkar comes from the Partai Persatuan Pembangunan (PPP), a Muslim party, moderate within the political spectrum of the Islamic world, which has chosen the Ka'bah of Mecca, Islam's holiest shrine, as its election symbol. It has based its campaign on religious issues and allegations of abuse of power by the regime.

All three parties—the third is the minority Democratic Party—are committed to the aims of the second five-year plan and have largely ignored economic issues in the campaign, which ended officially a week ago. The scandal surrounding the state oil concern, Pertamina, and the country's alarmingly high debt service ratio have hardly been discussed, though the PPP has spoken out against over-reliance on foreign aid.

Golkar expects to do well in the outer islands, which tend to be freer from the pressures of poverty and overcrowding and where local headmen can help direct the vote, and in central Java where the Sultan of Jogjakarta and Mr. Adam Malik, the Foreign Minister, have a large personal following. But the real test will come in Jakarta and Eastern Java where the PPP have been attracting wide support.

In the 11 years he has held power, President Suharto's regime has lost some of its popular support. Living standards have not improved as promised, corruption is still rife, while the vehicles for political dissent have been effectively silenced.

WORLD TRADE NEWS

CHINESE TRADE

Waiting for the tide to turn

BY COLIN MACDOUGALL, RECENTLY IN CANTON

IN THE steamy atmosphere of Canton, overheated Britons are rubbing shoulders with all the nations of the world from Sweden to Somalia in the palatial halls of the Chinese export commodities fair.

Fair is the right word: up on the first floor in the handicrafts department it is more like a bazaar than a sedate trade show as customers jostle to pick over the baskets and mats. Along the corridor lurk dragon-shaped golden clocks for overseas Chinese millionaires or oil *Sheiks*. *Downstairs* are the deer masks and rhinoceros horns and outside among the bougainvillia the songbirds are on show.

However, most people have not come to discuss such exotica. The appearance of the fair does not have much to do with the real business. Although the Canton custom is to discuss quantities and prices right in the middle of the hurly-burly, business men have learned to lower their voices.

The lavish display of goods can be deceptive too; there is not always enough for the traders to buy as this fair's visitors are already beginning to sense. This is not going to be a good fair for buyers, and the old hands are resignedly digging in for a long haul.

The real culprits are the earthquake, the machinations of the gang of four, and the poor harvest last year. Although the earthquake only affected a relatively small portion of this enormous country, stories have been emanating from Peking of offices that had to be evacuated because buildings were damaged.

Presumably in the resulting middle files were mislaid and normal administrative work upset. Some traders deal with the branch offices of the trading corporations in Tientsin and the Chinese turn pale if anyone suggests visiting it. Presumably the damage at Tientsin not far from the epicentre of the earthquake is much worse than they care to admit.

Interference

As for the Gang of Four, almost every place one visits claims to have suffered from their interference. Other political reasons also figure, one Chinese negotiator indicated he could not supply the desired quantity of handicrafts because the tiresome workers would not get on with the job. *This is hardly surprising* since conditions are not good in these cottage industries (for instance, the lighting is often at fault) and the incentive to produce is low.

The Chinese have been buying wheat and soyabeans heavily this year which confirms suspicions about the crops in 1976, and probably other agricultural items were affected as well. They are offering pretty small quantities of their traditional produce and explaining it away by saying that they have to satisfy new friends as well as old friends.

Of course this is true, the vast hotel opposite the fair complex is alive with Third World representatives. But there is more to the situation than simply that bold statement. The Chinese normally like to size up the market for an item and count potential buyers before they allot their supplies.

This partly explains why it takes so long to get any business done, a factor which quite soon separates the genuinely interested sheep from the goats who have just come for the ride to Canton.

On the selling side the picture is slightly better. One trader thought the Chinese might buy *special* steels, and there seems to be some hope of selling them machinery. Agricultural machinery is their big interest at the moment, and a group from the Agricultural Engineers Association has just toured China giving seminars and seeing factories.

Admittedly their business will not be done at the fair as they are still at the finding-out stage, but they see themselves as very competitive. If the Chinese are serious they may well turn to Britain for items like tractors and sprayers. U.S. traders are quite optimistic about selling at present, though their depressing record last year would make anything seem better.

Big question

The big question is what the Chinese are going to use for foreign exchange of which they are extremely short. It seems most unlikely that they will earn more from their exports in the first half-year.

To-day's more settled political atmosphere may improve the situation, though experienced China hands sense the tide turning in favour of more machinery imports. The chance will probably not come just yet but it could swing round later on this year.

Japan's $11m. oil deficit

The need for Japan to maintain its export performance, despite complaints from Western trading partners, is underlined by figures which show that its trade deficit with oil nations rose to $11bn. last year.

This was more than double the highest deficit of any other country and clearly inhibits the Japanese Government in allowing more imports of Western goods.

Last year Saudi Arabia exported goods (nearly all oil) *worth* nearly $8bn. to Japan, and Iran nearly $5bn., Japan's total imports from the major oil producing countries were nearly $18bn.

By comparison, the next biggest importer, the U.S. imported goods (or oil) worth $14.5bn. and had a deficit of $4bn. in 1976 compared with a trading surplus of $777m. in 1975. In that year Japan had a deficit of $10bn.

In Europe, France had the largest deficit with these countries last year, amounting to $4.7bn., while the U.K. was in deficit to the extent of $2.3bn. and West Germany was the lowest at $943m.

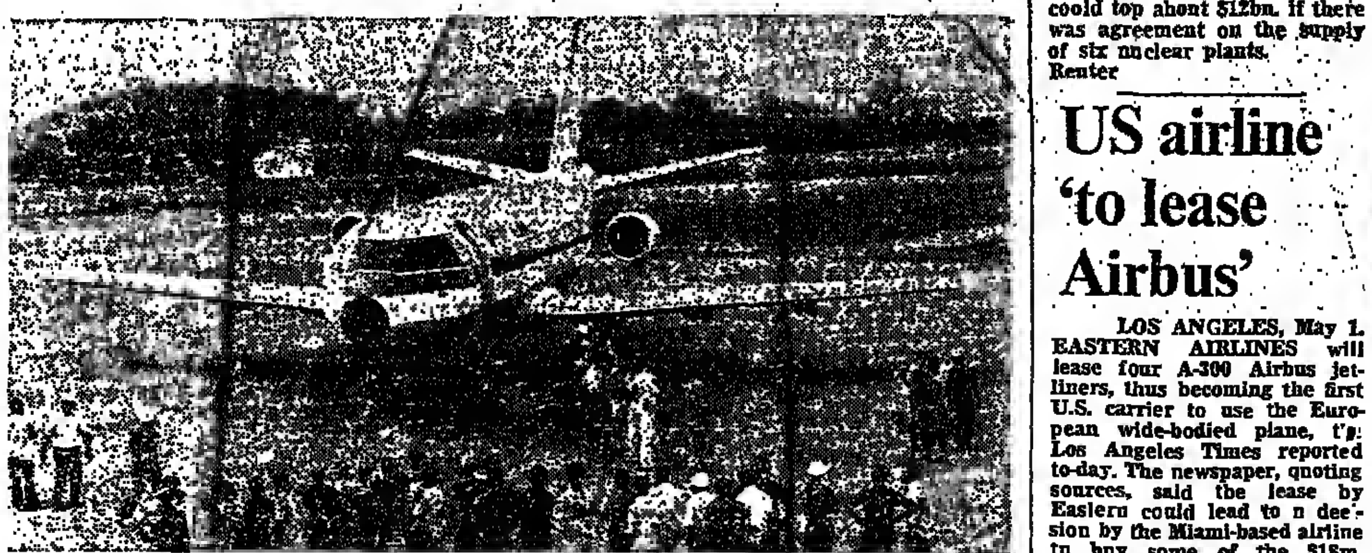
According to the Chase Bank review, among the oil exporters, Libya and Saudi Arabia registered the largest increase in their surpluses with the industrial nations, with Libya's surplus rising by $2.5bn. and that of Saudi Arabia by $2.1bn.

MIDDLE EAST AND NORTH AFRICAN TRADE
January-December 1976
(millions U.S. $)

		France*		FRG		Japan		U.K.*		U.S.	
		Imp	Exp	Imp	Exp	Imp	Exp	Imp	Exp	Imp	Exp
Algeria	'76	612	1319	1146	741	10	205	148	183	2344	487
	'75	740	1890	1025	611	36	261	190	174	1448	632
Egypt	'76	85	300	57	583	68	329	120	311	111	810
	'75	42	448	58	424	12	212	94	236	33	683
Iran	'76	1295	606	1988	2295	4454	1709	1880	921	1631	2776
	'75	1265	632	1469	2107	4978	1853	1553	1102	1579	3242
Iraq	'76	1383	428	155	886	579	624	491	273	123	382
	'75	1049	412	127	1048	396	818	225	303	23	310
Israel	'76	131	143	223	375	80	84	233	448	437	1409
	'75	127	173	179	407	89	73	205	529	326	1551
Kuwait	'76	370	163	182	304	2017	720	1043	257	41	472
	'75	620	98	226	203	2010	367	936	218	126	366
Libya	'76	289	319	2103	522	207	327	297	242	2406	277
	'75	189	405	1391	537	280	240	289	237	1120	232
Morocco	'76	350	758	9	14	37	52	103	109	18	263
	'75	419	799	4	13	43	35	116	78	11	200
Saudi Arabia	'76	3688	304	1799	1192	7834	1892	1762	710	5847	2774
	'75	2985	199	1623	566	6131	1350	1917	441	2987	1502
Syria	'76	195	257	100	366	6	157	15	117	10	275
	'75	142	161	62	245	3	108	11	79	7	128
UAE	'76	1091	170	693	234	2472	637	362	578	1532	425
	'75	1096	134	735	146	1774	420	357	442	781	372
Total	'76	9489	4767	8455	7512	17766	6736	6454	4149	14500	10350
	'75	8674	5351	6899	6307	15752	5737	5893	3839	8441	9218
Balance	'76		-4722		-943		-11030		-2305		-4150
	'75		-3323		-592		-10015		-2054		+777

* End Nov. 1976

Source: IMF and Chase Bank



Citizens of Cape Palmas, Liberia, inspect a VFW 614 aircraft, on a stopover during a recent sales tour of North and West Africa. Designed to bring jet transport to remote communities, the twin-engined airliner is built in Bremen by the German/Dutch VFW-Fokker consortium. Rolls-Royce engines, mounted on pylons above the wing, prevent foreign body ingestion from unpaved runways, and have an extremely low noise "footprint."

Greek trade

By Our Own Correspondent

ATHENS, May 1.

Greece and the Soviet Union have agreed to abolish the clearing system in their trade exchanges and replace it with that of payments in convertible currency as from 1978.

This is contained in a new *five-year trade agreement signed* by the two countries. EEC rules disallow barter arrangements and Greece, which is negotiating full membership of the Common Market, is moving towards abolishing such agreements with a number of countries. Earlier this year, Greece signed an agreement abolishing the clearing system with Yugoslavia as from July 1.

Indian-Soviet oil deal

BY K. K. SHARMA

NEW DELHI, May 1

RUSSIA has told India that crude sales will be based on international prices even to Comecon countries. The agreement on shipment to India 1m. tonnes in 1977 is thus no bargain.

It will cost India Rs.860m. which works out to $13.10 per barrel. Additionally, India will have to pay higher freight charges because of longer distances although the crude will be carried in Indian tankers.

This means Soviet crude works out to be more costly than Arab or Iranian crude since the latter is on soft deferred payment terms. It also means Russia is getting OPEC prices without the stigma of being an OPEC member.

The protracted negotiations over the deal have been over the price that Russia should charge.

The only advantage India is getting is that Russia has accepted steel and pig iron, of which there is presently a glut here, in exchange for the crude.

Contracts

● NKK (Nippon Kokan) has received an order from Qatar General Petroleum Corporation (QGPC) through a Japanese prime contractor, Mitsubishi Heavy Industries, for designing and fabricating 12 jackets and piling for natural gas liquid (NGL) platforms, to be erected at three oil fields located some 85 kilometres off the coast of Doha, Qatar.

● Pullman said its Houston-based Pullman-Kellogg division has awarded more than $100m. in construction contracts for its previously-announced natural gas production facility in Algeria. Air Products Chemicals received a $30m. contract for the licence for the natural gas liquefaction process to be used and for six cryogenic exchangers which are low temperature natural gas processors.

Mitsubishi Heavy Industries and Nippon Clark, 50 per cent owned by Dresser Industries, received $30m. to supply compressors. Tokyo Kanetsu received $35m. to provide liquid natural gas tanks. A Dutch concern Rhine-Schelde-Verolme received more than $20m. to supply boilers.

● A new production-sharing contract between Elf-Aquitaine of France and the Government-owned Pertamina oil monopoly was signed in Jakarta. The new contract includes a two-year extension of exploration work by the French company in this country. Under the new contract, 85 per cent. of production goes to Pertamina and the remainder to Aquitaine.

THE FINANCIAL TIMES, published daily except Sundays and holidays. U.S. subscriptions $178.00 (air freight) $334.00 (air mail) per annum. Second class postage paid at New York, N.Y.

Fourcade in Tehran for nuclear talks

TEHRAN, May 1.

FRENCH supply minister Jean-Pierre Fourcade arrived here to-day for talks expected to include the purchase by Iran of six nuclear reactors worth about $7bn.

The talks are within the framework of a joint ministerial economic commission. Informed sources said the purchase of six nuclear reactors was likely to be discussed. Iran has already agreed to buy two 900-megawatt nuclear power plants from France but months of negotiations over prices have been fruitless.

Iran's nuclear programme calls for up to 23 power plants, with a total capacity of 23,000 megawatts, over the next 17 years.

West Germany is already building two 1,200-megawatt nuclear power stations in South Iran.

The sources said that France was also likely to undertake a 15,000-unit housing project worth about $280m.

The talks would also cover construction of a railway line between Tehran and the southern port of Bandar Shahpour and of a highway from the capital to the south.

The government newspaper Rastakhiz said trade exchange between the two countries could top about $12bn. if there was agreement on the supply of six nuclear plants.

Reuter

US airline 'to lease Airbus'

LOS ANGELES, May 1.

EASTERN AIRLINES will lease four A-300 Airbus jetliners, thus becoming the first U.S. carrier to use the European wide-bodied plane, the Los Angeles Times reported to-day. The newspaper, quoting sources, said the lease by Eastern could lead to a decision by the Miami-based airline to buy some of the $18m. planes.

Eastern chairman Frank Borman, the ex-astronaut, is in Europe to close the lease arrangement and the airline will announce its decision on Monday, the article said. Eastern will test the A-300s this winter for six months on its Miami-New York routes before considering purchase, the article said.

Earlier this year, Western Airlines of *Los Angeles* considered buying some A-300s but finally decided on a combination of McDonnell Douglas DC-10s and Boeing 727s. The A-300, which carries up to 320 passengers, is a *twin-engined* aircraft of Airbus Industrie, a consortium of manufacturers from France, West Germany, Britain, the Netherlands and Spain.

Reuter

World Economic Indicators

TRADE STATISTICS

			Mar. '77	Feb. '77	Jan. '77	Mar. '76
U.K.	£bn.	Export	2.498†	2.432	2.472	1.907
		Imports	2.730†	2.621	3.004	1.926
		Balance	−0.232†	−0.189	−0.532	−0.019
W. Germany	DMbn.	Exports	25.800	21.000	19.807	19.117
		Imports	21.600	18.300	17.807	16.922
		Balance	+4.200	+2.700	+2.000	+2.195
France	Frs.bn.	Exports	29.186	25.521	23.484	23.385
		Imports	31.436	27.093	26.483	24.916
		Balance	−2.250	−1.572	−2.999	−1.531
U.S.	$bn.	Exports	10.071	9.807	9.599	8.955
		Imports	12.459	12.483	11.269	9.606
		Balance	−2.388	−2.676	−1.670	−0.651
			Feb. '77	Jan. '77	Dec. '76	Feb. '76
Italy	Lirabn.	Exports	2,702	2,523	3,236	1,879
		Imports	3,200	2,957	3,882	2,338
		Balance	−498	−434	−646	−459
Japan	$bn.	Exports	5.740	4.660	7.156	4.717
		Imports	4.449	4.740	5.503	4.048
		Balance	+1.291	−0.080	+1.653	+0.669
			Jan. '77	Dec. '76	Nov. '76	Jan. '76
Belgium*	B.Frs.bn.	Exports	99.689	121.327	121.911	90.217
		Imports	111.788	113.220	116.374	104.339
		Balance	−12.099	+8.107	+5.537	−14.122
Holland*	Fls.bn.	Exports	8.866	8.422	8.588	8.117
		Imports	9,399	9.618	7.618	7.518
		Balance	−0.533	−1.196	+0.970	+0.599

* Excludes trade between Holland, Belgium, Luxembourg. † Provisional figure.

HOME NEWS

Tories expect landslide in council polls

BY PHILIP RAWSTORNE

CONSERVATIVES confidently expect to oust Labour from control this week of all but a handful of the metropolitan and county councils in England and Wales.

The Labour Party also faces a vigorous challenge from the Scottish National Party to its traditional dominance of authorities in Scotland's central industrial belt.

Polling in Scotland to-morrow and in the rest of the country on Thursday, though likely to be low, should provide a clearer indication to political attitudes than last week's confusing by-election results.

But the Government can expect only minimal comfort from the votes. Labour is defending in England and Wales the gains it secured during the period of Tory unpopularity in 1973.

The Greater London Council is the biggest political prize at stake and, with voting based on the area's 92 Parliamentary constituencies, it should provide the best measure of party ratings.

A 7 per cent. swing, comparable to that in the Grimsby by-election, would be sufficient for the Conservatives to regain control of the GLC.

Sir Reg Goodwin, the GLC's Labour leader, said yesterday he had been encouraged by the doorstep reception for the party's candidates. "I think we will just make it."

Mr. Horace Cutler, the Tory leader, retorted: "If the people turn out and vote, we'll make it. I am sure of that."

Conservatives are still optimistic about their chances of achieving the 22 per cent. swing of the Ashfield by-election that would also give them control of the Inner London Education Authority.

Liberals, who are contesting 91 of the GLC seats, are looking for a marked improvement on their performance in recent by-elections.

Mr. David Steel, the Liberal leader, said yesterday that the municipal elections generally and the forthcoming Saffron Walden by-election would give a truer indication of the party's standing.

A slump in the Liberal vote this week might well rouse hostility in the party to the Westminster agreement with the Government. Pressures to end the pact this autumn might then be difficult for the Liberal leader to resist.

The National Front, which is contesting as many GLC seats as the Liberals, is mounting campaigns in other parts of the country in a bid to strengthen its base for the next General Election.

Its impact is likely to be felt most keenly in the West Midlands council where Labour swept into power in 1973 by taking 73 of the 104 seats.

The Labour Party now appears to be markedly on the defensive in the area after the demoralising by-election defeats in Stechford and Walsall.

A modest swing of 10 per cent. would deprive Labour of its control of the West Midlands.

Scottish elections Page 9

Liberals' plan

The Liberals appear to have forced the Government to seek changes to a plan for industrial democracy agreed by the Post Office and its unions. Labour News Page 40

ONE-EIGHTH OF AN INCH MADE ALL THE DIFFERENCE

North Sea gusher tamed at fifth attempt

By KEVIN DONE, Stavanger, May 1

THE BREAKTHROUGH in the eight-day fight to tame the blown-out Bravo well in the North Sea's Ekofisk field appears so simple.

The first attempt to shut off the rogue well by slamming together the blind rams — valves — in the well-head blow-out preventor was made last Thursday. For a few seconds the rams held. Then the oil, which had been gushing into the sky at more than 400 mph for five days, forced its way out again. The rams had to be reopened.

At 11 a.m. on Saturday the manoeuvre was repeated for the fifth time. This time the stroke of the hydraulic pistons driving the rams was lengthened by one-eighth of an inch. The adjustment was vital. The rams, capped with rubber to avoid the smallest risk of a spark igniting the oil, were driven together. This time they held.

The oil had been pouring out at a temperature of more than 200 degrees Fahrenheit and roaring like a jet engine for more than a week. It covered the blow-out fighters, Boots Hansen and Richard Hatterberg and their team from Phillips in grease and dirt and left them half blinded.

Hansen was still trembling slightly from fatigue when he described that moment when the valves finally shut. "We closed the rams and it went all quiet. It was beautiful."

Since arriving a week earlier on the giant pipe-laying barge, Choctaw, which acted throughout as the supply base anchored alongside Bravo, Hansen and Hatterberg followed a routine. They would get up at about 5 a.m. to be ready to use the best of the daylight. Preliminary work was carried out the previous night to allow them to make the earliest start. By early evening they were exhausted and would return to rest and sleep at 6.30-7 p.m. Two or three times a day their eyes had to be washed with drops to clear the stinging oil.

The biggest difficulties on Bravo were caused by the heat, the constant spray of oil and water and the confined space in which work had to be done at the well-head above the platform floor. Soon after the blow-out the fire-fighting ship Seaway Falcon was called to Bravo. For eight days it sprayed thousands of gallons of water every minute on to the platform to prevent it from overheating.

RED ADAIR
Another success

There was the constant danger of explosion from static electricity or from sparks caused by parts of the steel platform becoming dislodged by the water jets and falling to the deck.

A fire would have turned Bravo into a torch. To cut this danger to a minimum one of the earliest tasks for the platform crew was to sever all the wires and electrical systems in case they activated accidentally. All the support systems came from Choctaw. Hoses from the barge supplied mud, air and water.

The problems on Bravo were compounded when it was discovered that the vital blow-out preventer on top of the well-riser had been installed upside down. Four times in successive days different types of valves—blind, sheer and pipe rams—were forced together by hydraulic pressure but failed to hold. On the fourth attempt with pipe rams the gusher of oil was restricted to pouring through a hole two inches in diameter. The speed of the jet doubled momentarily to about 886 m.p.h., faster than the speed of sound.

It had been planned to try to force the four-ton capping valve assembly, which had been bolted together on Choctaw, through this jet and onto the top of the blow-out preventer, held by only hydraulic bolts and ropes and secured to the preventer by just one bolt. But the rams never sealed and the attempt was abandoned.

The theoretical planning for Saturday's successful attempt was carried out in California, at the Rucker Schaffer plant where the preventer rams are manufactured.

Dave O'Donnell, an engineer from the company, explained that tests showed in the early attempts the casing pistons had rubbed against the casing of the blow-out preventer. The lining adjustment of one-eighth of an inch allowed all the piston pressure to be carried through into the rams, starting together the rubber seals with enough force to choke off the flow.

The technical support for the operation was highly sophisticated, but on Bravo much came back to brute force and physical man-handling. In the desperate straits of a blow-out normal safeguards of offshore work go by the board. As Mr. Dag Meier-Hansen, an engineer and head of the Norwegian Petroleum Directorate, said, "It wouldn't do for any kind of money in the world."

Accountants and solicitors oppose publicity code

BY MICHAEL LAFFERTY, CITY STAFF

NEGOTIATIONS with the Office of Fair Trading aimed at establishing voluntary advertising codes for accountants and solicitors appear to be on the point of breaking down. Both professions have so far refuse to remove their blanket anti-publicity restrictions.

It is thought that Mr. Gordon Borrie, Director-General for Fair Trading, is on the point of reporting the lack of progress to Mr. Roy Hattersley, Prices Secretary. This follows several months of difficult negotiations between the OFT and both professional groups.

Mr. Hattersley is then likely to report the situation to Parliament. The negotiations with the OFT arise out of two Monopolies Commission reports published last year.

The two reports found that the accountancy and legal professions were monopolies, and that their advertising restrictions operated against the public interest.

The intransigence of the two groups contrasts sharply with the attitude of the Stock Exchange which announced last week that it had reached voluntary agreement with the Director-General of Fair Trading on a greatly relaxed code of advertising for stockbrokers. Brokers may now advertise on radio, television, and in newspapers.

The Law Society, the solicitors' professional body, has made it clear that it is not prepared to consider amending its rules, which effectively prevent a solicitor from any form of advertising.

The accountants are equally categorical in their rejection of the Monopolies Commission's report. The most they would be prepared to accept is so-called business card advertising, whereby brief details such as an accountant's name, his business address, and his telephone number could be published in newspapers.

The OFT believes that at the least, any form of advertising should allow a professional man to say what his speciality is. But the solicitors and accountants do not agree.

Reserves may be up again

By Michael Blanden

A FURTHER increase in Britain's official reserves as a result of an inflow of funds in the past month could be shown by the figures due to-morrow.

Any gain would again take the reserves to a record level, but the change will not match the very sharp rises already shown this year. In March the reserves leapt $1.83bn. to a record $9.62bn., nearly $5.5bn. higher than at the start of the year.

The March rise reflected a $750m. drawing on the $1.5bn. Euromarket loan arranged in January and a substantial inflow of currency.

It was expected that the inflow might soon slow down because the bulk of the foreign currency had already come in from the once-for-all unwinding of last year's leads and lags and from the inflow resulting from the measures to end the use of sterling to finance third country trade.

Nevertheless, it is likely that there was some further inflow last month, if only as a result of the generally good performance of the pound. Though sterling slipped a little in the middle of the month the Bank of England is thought to have taken in substantial amounts of currency at the beginning—last month's reserve figures will include the strong post-Budget performance of the pound in the last three days of March.

In the past week the pound has again continued to show strength, with the Bank intervening to buy currency and sell pounds to hold sterling down near the $1.72 level.

More Home News on Pages 9 and 40

Goldsmith in crucial talks on Standard

BY MAX WILKINSON

THE FATE of the Evening Standard may hang precariously all this week on a series of talks planned between the Beaverbrook management and Sir James Goldsmith, chairman of Cavenham.

Beaverbrook has already recognised that Sir James's terms are likely to give it less in cash terms than the offer from Associated Newspapers, which wants to buy the Standard and merge it with the Evening News.

Associated Newspapers is offering substantial sums to Standard journalists to lure them away. Mr. Robin Esser, former assistant editor of the Daily Express, starts a new job to-day as "editorial consultant" of the Evening News.

He was earmarked for a key role in shaping the contents of the middlebrow evening which Associated Newspapers wanted, and still wants, to form out of the remains of the News and the Standard.

Sir James, who owns 30 to 40 per cent. of Beaverbrook's non-voting shares, has already made it clear that any rescue by him must depend on substantial redundancies being agreed by the unions at both the Standard and the Express. At least 700 of the 7,000 jobs would go, and probably more.

Associated Newspapers would make 1,600 men redundant in its merger of the two evenings.

The unions have also to calculate that if the Standard were saved the News would either close or at the very least suffer a drastic reduction in manpower. The News is losing £6m. a year, and Associated Newspapers executives say it "will not survive the year unless something is done"

Even after the redundancies Sir James would have to inject a substantial amount of cash into Beaverbrook to prevent its collapse. The details have not yet been worked out, but one possibility is for Cavenham to underwrite a rights issue in exchange for a substantial measure of control over the Board.

By contrast the Associated Newspapers offer is likely to be more financially attractive to the Aitken family which controls Beaverbrook. These terms, according to Associated Newspapers executives, were £4m. for the Standard title plus £1m. as a contribution to Beaverbrook redundancy payments.

In addition it would pay £2.6m. as first payment on a five-year option on the Express building and machinery. Total cash handed over would therefore be £7.6m.

Associated Newspapers would pay £2.25m. in redundancy to Evening News employees. The total disbursement in the first part of the deal would therefore be about £10m.

The redundancy payments for both papers would total about £8m. to £9m., but because of tax concessions the companies would have to pay only about £4.4m. between them.

Option

If it bought the Standard Associated Newspapers would have an option to buy a half share in the Express building by instalments to a total of some £7m. to £8m.

Beaverbrook thus stood to gain some £15m. in cash from Associated Newspapers, with another tranche if, as seems probable, the Express should eventually be merged with the Daily Mail.

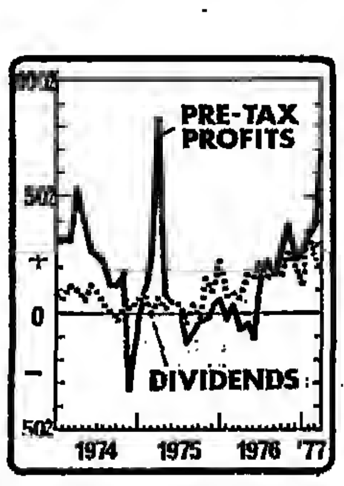
Battling on with the help of Cavenham money looks less attractive financially, unless Beaverbrook can revive the profitability of its daily and evening papers very substantially.

Company profits show rise of 69%

PRE-TAX trading profits of 145 industrial companies which issued full reports and accounts during April were 69.1 per cent. higher than 12 months earlier.

This is about twice the average rate of increase shown in company reports received in the first three months of the year, when the sequence of percentage gains was 27.6, 33.8 and 37.7 respectively.

BSR recorded the biggest individual pre-tax profit rise at £28.7m. compared with £9.9m. the previous year, while a big turnround was seen in British Leyland with profits of £56.5m. against a comparable loss of £76.1m.



Other important companies to record profit increases of about 50 per cent. or more included Albright & Wilson, BTR, Bowater, Delta Metal, Ocean Transport, Reckitt and Colman and United Biscuits.

Dividend cost increases for the month averaged 17.4 per cent. below the average for the previous quarter, with most of the big names staying within the allowable limit. Exceptional increases were made by BSR and United Biscuits, the former raising the dividend by nearly 78 per cent. following its £15.6m. rights issue and the latter, with Treasury consent, making a near 50 per cent. increase in its distribution.

BP prospectus well advanced

BY MARGARET REID

PREPARATION of the prospectus for the Government's planned sale of a 17 per cent. shareholding in British Petroleum—now worth about £600m.—is well advanced. There are expectations in the oil industry that the disposal will take place in the next two months.

A spokesman for the Treasury was, however, unable to comment yesterday on whether the proposed sale of the shares would occur by the end of June.

Mr. Denis Healey, the Chancellor of the Exchequer, reaffirmed in his Budget statement on March 29, the Government's intention to sell the 17 per cent. stake from its holding of about 48 per cent. in BP in the financial year 1977-78, which ends next March.

BP shares have been strong, though with some fluctuations, in recent weeks, despite the large planned sale. On Friday they closed at 918p, compared with a 1977 range of 776p-956p.

Encouragement has been drawn from developments in the North Sea, where BP's four platforms are all producing, and in Alaska, where the group's projects should benefit from President Carter's recent pricing proposals.

As a result the signs are that the 65m. shares making up the 17 per cent. stake could be readily sold to buyers in Britain, the U.S., Europe and elsewhere although it would be the largest sale ever made of ordinary shares in a British company.

In addition to the Government's existing 48 per cent. of BP, the Bank of England has 20.1 per cent., bought from Burmah Oil as part of its rescue operation for that company in early 1975. Thus the total State holding in BP is just over 68 per cent.

The Bank's interest is the subject of legal action by Burmah, which is seeking the return of its former holding at the 1975 sale price of £179m.—£547m. below its present value—plus dividends.

The Government, which has said it is confident of the Bank's defence to this action, plans to consolidate the Bank's holding with what will remain of its own, so that the State holding would still be a majority of BP, 51 per cent.

An essential preliminary to the projected Government sale of the 17 per cent. stake in BP has been the agreement of the City Take-Over Panel that the increase in the Government's own interest to 51 per cent. in this way would not oblige it to mount a bid for the whole of BP.

Some steel price increases likely

FINANCIAL TIMES REPORTER

PRICES of a range of steel products are generally expected to go up this summer.

But British Steel is sticking to its present policy of only increasing prices when demand recovers. Suggestions of a price rise in the summer are therefore based on the expectation of a modest recovery in the still depressed market.

The recent trend has been for cuts in prices. The latest was a cut of 7 per cent. in February of the price of hot rolled coil to combat imports.

As a result of the policy of depressing prices to retain customers, most steel products are now unprofitable. BSC made a loss of £100m. last year.

Ironically, the one product which is profitable—tinplate—has been hit by a strike of electricians at BSC's Port Talbot works. As a result, the corporation has been forced to import 70,000 tonnes of hot rolled coil to keep up tinplate production.

Steelmakers' hopes that they will be able to increase prices may partly depend on the outcome of talks this week between Foreign Ministers of Common Market countries.

They will be discussing a European Commission plan for a minimum price structure aimed to stiffen steel prices.

هكذا من الأول

ADVERTISER'S ANNOUNCEMENT

We'll take more care of you

British airways ANNOUNCE

No. 21

Monday, May 2, 1977

Fly the flag.

Fly the flag InterBritain Europe and Worldwide

ALL SYSTEMS ARE GO!

Ready for the spring migration of early holiday-makers and business travellers off to world markets, British Airways is offering a complete service covering scheduled flights and its Sovereign and Enterprise package holidays – right now.

With so many individual demands from travellers, British Airways – with the most comprehensive product range of any airline – can offer Concorde, the Glasgow, Edinhurgh and Belfast Shuttle services, long haul flights with family reunions at the end of them, regular services for business travellers attending this year's bigger-than-ever crop of far-flung trade fairs and, of course, escape routes to all popular holiday resorts, around the Mediterranean and further afield.

Flexibility

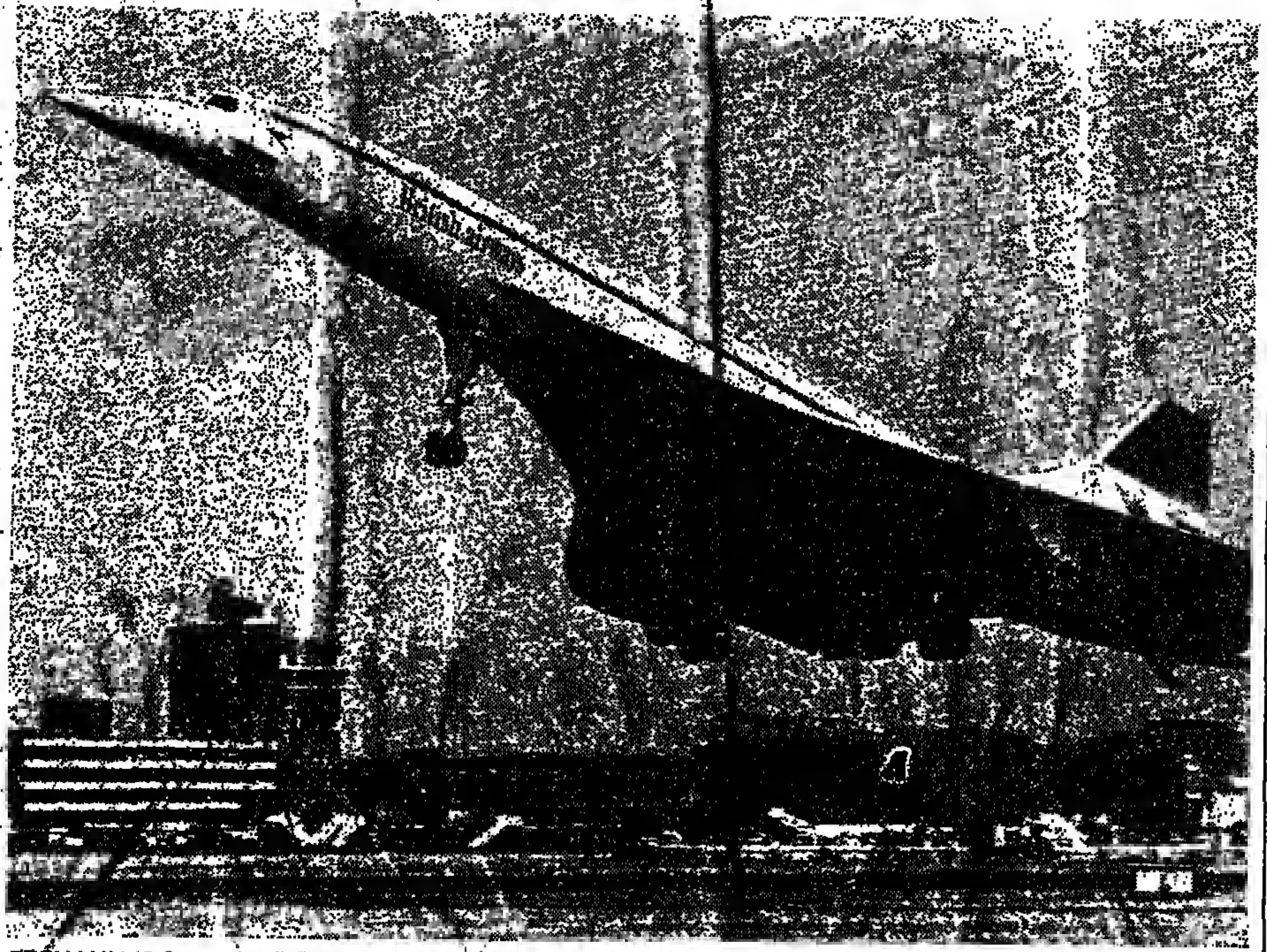
This means an impressive set of answers to travellers' problems. For example . . .

- A bigger choice of destinations from London's Heathrow than is offered by any other airline.
- International departures from provincial points including transatlantic flights from Manchester and Prestwick, plus new routes from Manchester to Frankfurt and Zurich.
- Time-saving InterBritain flights, connecting no fewer than 26 domestic centres.
- Shuttle services from London to Glasgow, Edinburgh and Belfast.
- Concorde – the ideal answer for hard-pressed business travellers.
- A whole range of cargo services offering plenty of capacity to all destinations.
- For people with friends and relatives far away, British Airways Poundstretcher fares can offer a low-cost way of reuniting families.
- Membership of the airline's Australian, Canadian and American Reunion Clubs also means advice and help on all aspects of travelling to see those loved ones.
- Poundstretchers to most British Airways European destinations giving savings of up to 70 per cent over scheduled fares, subject to certain conditions.

Holidays

- A huge selection of Sovereign and Enterprise inclusive holidays in many popular resorts – and to more distant shores – this year with more departures from regional UK airports in addition to Heathrow, Gatwick and Luton.

- Late bookings for European resorts accepted up to the day before you leave.
- Fixed-price holiday guarantee (subject only to governmental decisions).



FROM MAY 13 Concorde will fly to Washington four times a week adding a Friday service to its Monday, Thursday and Saturday services. All flights depart London 1300 arriving Washington at 1210 local time.

TriStar bonus for the Gulf

THE GULF, like British Airways, has come a long way since those days 50 years ago when the first scheduled flights took six days and were regarded as journeys into the unknown.

Now the Gulf, with its oil bounty, is racing through an industrial and cultural revolution.

Announce Reporter

In exchange for oil, the Gulf States have an almost insatiable appetite for coosumer products and capital goods.

And British Airways is helping businessmeo keep in step with the boom.

Services to the area by wide-bodied TriStars have been increased from seven to 17 each week.

Success

There are now daily TriStar flights to Dubai, Dhahran and Abo Dhabi. From May 18, Kuwait will bave a daily TriStar flight, at present, there are TriStars on six days a week.

For the first time Bahrain and Doha are served by TriStar flights from Heathrow.

Sioce the wide-bodied luxury of the TriStar was introduced on the Gulf run a year ago it has been a tremendous success.

No wonder. The British Airways TriStars have been specially fitted out to serve the demands of flights to the Gulf.

First-class cabins have been enlarged and seats in both sections are oow as big as those in a jumbo jet. Wardrobes and galley units have also been improved.

Doha can also be reached by seven VC10 flights a week while Muscat is served by four 747s a week.

And, of course, there is always the ultimate in air travel – supersonic Concorde from Heathrow to Bahrain in only four-and-a-quarter hours.

Cartoon by Ross

Care in the air

BRITISH AIRWAYS has always done all it can to help passengers who are handicapped, disabled, or elderly.

And these passeogers can help British Airways help them further by saying when the flight is booked that they need special attention or equipment.

Details of the facilities available are given in a booklet called "Care in the Air", which has been specifically produced by the Airline Users' Committee. It gives advice on all facets of air travel.

Copies can be obtained from the Airline Users' Committee at C.A.A. Greville House, 37 Gratton Road, Cheltenham, Glos.

Turkish delight ...

TURKEY can be a delight for business travellers. This ancient nation, with its roots in the east but its future anchored to the west, is eager for British goods and know-how.

The demaod for business travel to Istanbul, the Turkish commercial heart, is now so great that British Airways TriStars from Heathrow.

The wide-bodied TriStars will operate every Thursday as part of the normal service betweeo Heathrow and Istanbul. First-class facilities are available on all flights.

... and gifts in Greece

GREECE has made Common Market membership its goal. Now that the seat of democracy is coming out of its recent isolated position, British business travellers are taking advantage of the export opportunities available io Greece.

For the holidaymaker, Athens has now an Apex fare. That means that with advance booking, travellers can reach the Greek capital oo a British Airways schedule flight at greatly reduced cost.

To meet the expected increased demand on flights between Heathrow aod Athens, the TriStar service has been increased from two flights a week to four.

The twice-daily flights from Heathrow leave at 0920 and 1435.

With Greece opening up again to British trade Saloaica is developing into an important business route from London.

British Airways now offer two direct flights a week by Trident leaving Heathrow at 0815.

For reservations or further details, see your travel agent or British Airways shop

More jets for more places

NORTHERN Europe is switching into top gear for the trade fair season, and British Airways has more jets than ever to this important region.

From Switzerland to Sweden, from Helsinki to Hamburg, there is a huge demand for British exports and skill.

Last year, our exports to Northern and Eastern Europe topped £6294 million — an increase of more than £1545 million — and 1977 promises to be another record breaker.

Businessmen are now seeking eveo better air services to Northern Europe's commercial capitals and British Airways has responded to that demand. For example, there are now:

MORE flights than ever.

MORE direct European flights from regional airports.

MORE convenient connections at Heathrow.

SPECIAL business packages.

SPECIAL flights to major trade fairs.

SPECIAL information bureau to advise on trade fairs.

SCANDINAVIA has traditionally been an excellent market for Britain, and British Airways is helping to make it even better. The Loodon to Oslo flights are being increased from seven to 12 a week from May 30 and, from May 2, Stockholm will be served with two flights a day from Heathrow.

There is a twice-daily service from London to Copenhagen and on six days a week the afternoon flight is operated by a TriStar. There are also three flights a week to the Danish capital from Manchester.

FINLAND continues to be served by a daily Trident to Helsioki at 1130.

SWITZERLAND may be a small oatioo but it is a vital export market. To assist the region's businessmen a new Manchester-Zurich service will operate six days a week. Geneva and Zurich also have three Trident services from Loodon every day. There is also a service to Basle every day except Saturday.

FEDERAL REPUBLIC OF GERMANY: British Airways has flights to nine destinations in the Federal Republic, and more flights there from the UK than any other airline and there has been an increase in services from regional airports.

EASTERN EUROPE. There are 23 British Airways flights to nine destinations every week. New Sunday services have boosted London-Budapest flights to four weekly, and London-Warsaw flights to five weekly.

What's more, special daily flights will operate from London to Leipzig during the important Autumn Trade Fair from September 3 to 11.

Holiday with Flair

GREAT NEWS from Flair – their fixed price guarantee for holidays in Summer 77 have been extended indefinitely.

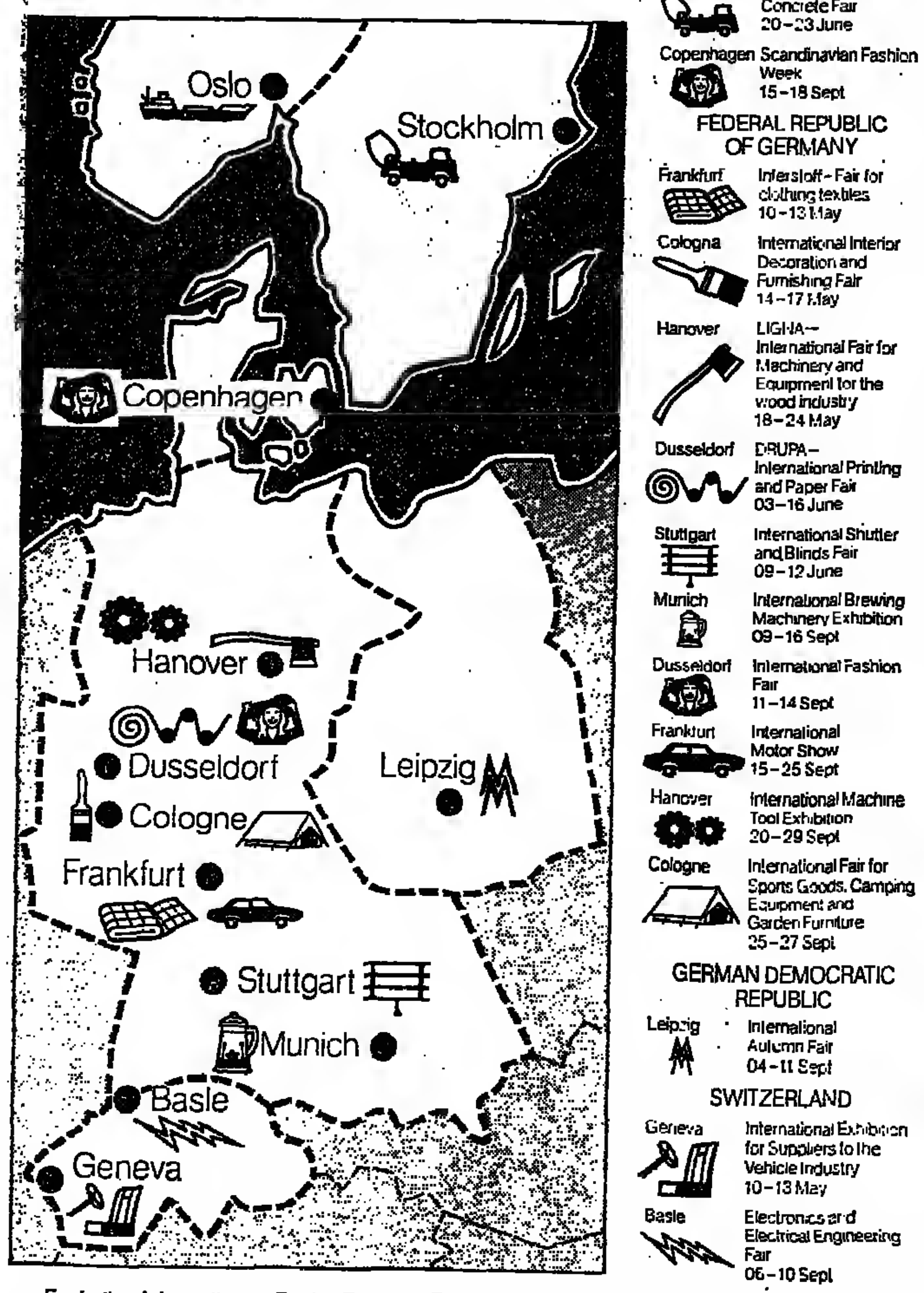
The brochure price of Flair holidays is guaranteed and Flair, part of the Trust House Forte group, in association with British Airways, is offering marvellous holiday bargains.

Some examples are:

Fourteen nights at Forte Holiday Village, Sardinia, from £195. Fourteen nights at Hotel Messonghi Beach, Corfu, from £165 from Gatwick; £175 from Manchester. Fourteen nights at Hotel Mirabello, Crete from £239.

Children's discounts on holidays to Greece and Sardinia have been increased to 20 per cent. Flights are mainly by British Airways and there are local departures from Manchester, Glasgow, Edinburgh, and Luton as well as Heathrow and Gatwick.

Major Trade Fairs in North Europe. Summer 1977.



SCANDINAVIA

- Oslo — International Shipping Exhibition 09–14 May
- Stockholm — International Readymix Concrete Fair 20–23 June
- Copenhagen — Scandinavian Fashion Week 15–18 Sept

FEDERAL REPUBLIC OF GERMANY

- Frankfurt — Interstoff – Fair for clothing textiles 10–13 May
- Cologna — International Interior Decoration and Furnishing Fair 14–17 May
- Hanover — LIGNA – International Fair for Machinery and Equipment for the wood industry 18–24 May
- Dusseldorf — DRUPA – International Printing and Paper Fair 03–16 June
- Stuttgart — International Shutter and Blinds Fair 09–12 June
- Munich — International Brewing Machinery Exhibition 09–16 Sept
- Dusseldorf — International Fashion Fair 11–14 Sept
- Frankfurt — International Motor Show 15–25 Sept
- Hanover — International Machine Tool Exhibition 20–29 Sept
- Cologne — International Fair for Sports Goods, Camping Equipment and Garden Furniture 25–27 Sept

GERMAN DEMOCRATIC REPUBLIC

- Leipzig — International Autumn Fair 04–11 Sept

SWITZERLAND

- Geneva — International Exhibition for Suppliers to the Vehicle Industry 10–13 May
- Basle — Electronics and Electrical Engineering Fair 06–10 Sept

For further information on Trades Fairs and Exhibitions ring–London 01-834 2323 Ext. 4544, Birmingham 021-643 7871 Ext. 40, Manchester 061-831 7161 Ext. 369, Glasgow 041-332 9688 Ext. 314, and Belfast 0232 40434 Ext. 416.

Make the going easier

GETTING to and from an airport is often the most frustrating part of a journey.

Now British Airways has produced a four-page guide to help ease the journey to Heathrow Airport.

Available at travel agents and British Airways Shops, the leaflet gives advice oo the best way to reach Heathrow by car, train or bus.

Although Heathrow is well served by motorways and car parks, British Airways advice is simple: "Ease congestion by travelling to the airport from Central London by bus."

Regular special services leave the air terminals at Victoria (for inter-continental flights) and West London (for domestic and European flights) for Heathrow. The £1 journey takes about 45 minutes.

Technical Page

EDITED BY ARTHUR BENNETT AND TED SCHOETERS

● METALWORKING

Deep chill helps hot casting

PRODUCTION OF castings may ba speeded with, at the same time, considerable sevings in raw materials and energy, through a new process which is to be developed and marketed jointly by W. H. Booth and Co. of Rotherham and BOC.

"Effset" is the name chosen for the process, now subject to patent application. The keroel of the idea is tbo nse of liquid nitrogen to freeze-bind sand moulds. It can be applied to many casting alloys including grey irons, spberoidal graphite irons, stainless steels, gun metals and aluminium bronze.

Pilot plant work at a W. H. Booth foundry has demonstrated that the above savinga ere possible and tbst there are no problems from chilling of the cestinga through the use of tha liquafiad gas.

Castings up to 70 lbs weight have bean made and there ere no limitations spplicable to types of foundry sends used.

In the process, sand with a critical amount of watar and an organic binder of low cost are mixed and moulded by conventional means. The stripped half-moulds are frozen to a predetermined sub-zero temperature with liquid nitrogen or snother cryogenic fluid and beld at that temperature till the metal is ready for casting.

Using a proprietary process from W. H. Booth, the motal is poured to give controlled mould filling. The beat from the castings destroys tbe ice bond of the mould and the result is workpieces of good surface quality with little or no production of casting fumes.

Further details of the process from BOC, Metallurgical Processes Department, 15, Northgate, Shipley, West Yorkshire BD17 6JZ. 0274 595527—Attention Colin Moore.

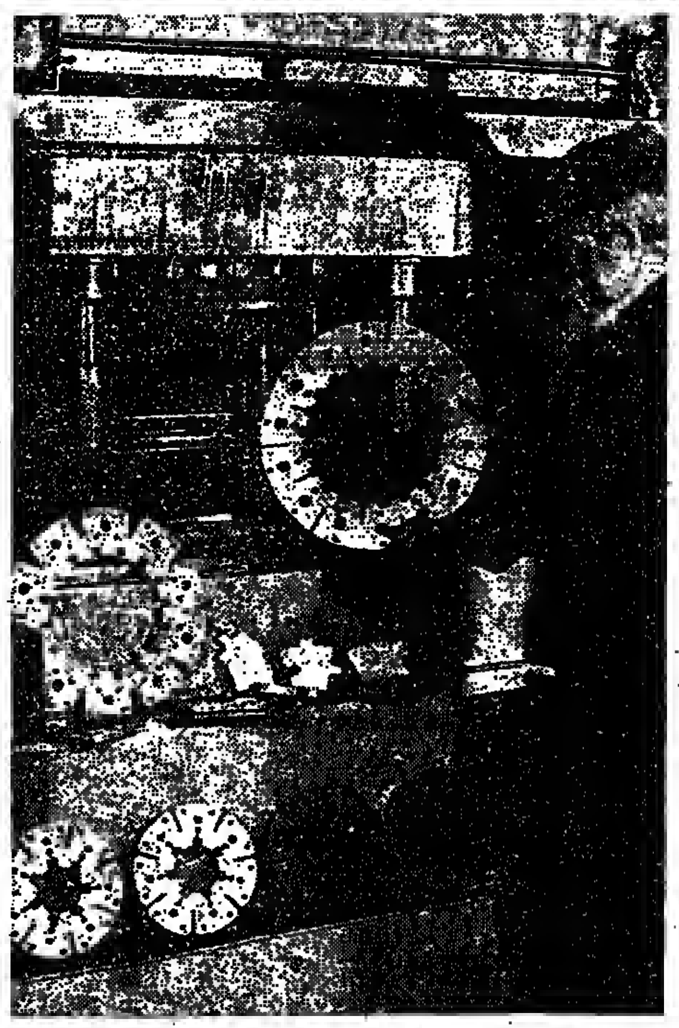
A better binder

A NEW sand binder for use as a combined binder and breakdown agent for the carbon dioxide process in automated core blowing has been launched by Foseco Foundry Services, Tamworth, Staffs. B78 3TL.

The new silicate resin, "Solosil," bas a hardening time of three seconds for a fairly simple core, about half the time of most proprietary silicatas, most of which are based on sugar or the addition of e glucose syrup. Solosil is claimed to offer improved strength development and s longer storage life, with savings in additives end quicker cleaning of castings.

Compared with e binder using 2.5 per cent. silicate plus 1 per cent. glucose syrup (3.5 per cent. additives), gas for 30 seconds and a 60-70 psi strength, Solosil givea 130 psi. With initial gas strength of 150 psi e conventional standard mixture gives little improvemant in strength on standing, while Solosil improves to 300 psi.

PETER CARTWRIGHT



To strengthen its position in the U.K. as a supplier of *aircraft quality finished components, Dunlop is spending some £250,000 on new equipment. This includes a fine blanking press from Heinrich Schmid of Switzerland, which is shown here. Supplied by Lean Machinery it is an 800 ton model that is provided with variable power/speed ratio and is able to produce components to an accuracy of ±0.001 inch from low alloy steel up to a maximum thickness of ⅝ inch. It has an automatic strip feeder dealing with strip up to 12 feet long. Complete aircraft brake stator plates, rotor segments and gear wheels can be produced in one operation to accuracies high enough that no finishing is needed other than the final hardening and tempering process.*

● MATERIALS

£1.2m. glass reinforced pipes plant

FOLLOWING THE launch of Slimline glass fibre reinforced pipes, which was fully reported on the Technical Page (October 4, 1976), commercial production for sewerage and surface water applications has begun at ARC Concrete's new factory in St. Ives, Cambridgeshire.

The factory is one of the first in the world to be specially built for the production of GRC pipes, and represents an investment of some £1.2m. The company, which is the biggest manufacturer of conventional steel reinforced concrete pipes in the U.K. is convinced that the new GRC pipes will eventually "sweep the board" in concrete pipe manufacture.

Its confidence is evident from that fact that in a declining U.K. pipe market—down from 1.3m. tons in 1973 to 1m. tons last year—it is prepared to make such a commitment. And to a degree the confidence has been justified by the massive response the initial announcement created.

From both this country and overseas, some 200 manufacturers interested in producing Slimline pipes under licence have contacted ARC Concrete. A number of licence agreements are now in active negotiation, and a licence has already been granted to a major U.K. manufacturer.

Now in its final stages of commissioning, the new unit at St. Ives was planned to produce up to 10,000 tonnes in the first year, in a size range of 600 to 1,200 mm. (i.d.). But there has been such a good response from the pipe-laying industry that the company is already considering doubling production this year.

With this possibility in mind, the factory was built on a modular basis, so that extra capacity could be easily added up to the unit's designed maximum of 50,000 tonnes a year.

Pipe production is on the flow-line principle, and incorporates two spinning frames specially designed by the company. These frames have internal high-frequency vibrators and thyristor controlled motor drives. This allows much higher levels of control, leading to higher compactive forces—up to 50 g.

Mobile equipment for the advantages in handling, jointing and trenching, the in-ground cost of a pipeline can be up to 20 per cent. less.

can handle one tonne of glass fibre a day. Instead of the expected double helix, the reinforcement is laid in a sine wave, the amplitude of which is controlled to give the desired strength.

Further expansion of the plant, and its introduction at other factories in the company, will incorporate radically different production methods, leading to higher productivity.

The new factory will be officially opened this month.

Over the past two months the company has been giving a series of regional seminars to water and local authority staff, main specifiers, consulting engineers and contractors, supported by a film showing the first two major pipe installations at Swindon and Aylesbury.

Mr. R. Farahar, technical director, reports that the audience response was very encouraging. "There was little doubt that they appreciated the pipe provided a greater opportunity than conventional pipe for the intelligent operator to make significant cost savings, and that this feature was important during the current recession."

Although the pipes are about the same price as comparable steel-reinforced concrete pipes, because of the installation introduction of glass fibre and concrete was also designed and developed by the company. It

Looking to the future, Mr. Farahar stressed that Slimline was the first phase in ARC Concrete's development of a range of products using glass fibre reinforcement. First priority will be to broaden the Slimline size range, making it competitive with the smaller diameter steel, asbestos and pitch fibre pipes. Further plans include the development of pressure pipes (up to 30 atmospheres are feasible), as well as fence posts, telegraph poles, and eventually a range of flat products.

Work will also be completed on a version of the pipe for use in the Middle East and other hot countries where internal hydrogen sulphide attack is a serious problem, or where aggressive soil conditions occur. For these applications, glass reinforcement, which does not corrode, is particularly attractive.

To replace the sacrificial layer of cement used in pipes where there is acid attack, or scour from suspended particles, as encountered in the U.S., the company is investigating a casein-based inert lining material.

Mr. Farahar told Financial Times that his company expects GRC to achieve some 15 per cent. of the total royalty income from overseas by licensing GRC pipe-making know-how. Its attraction to any concrete pipe maker, particularly in the developing countries, must be considerable, bearing in mind that a GRC plant costs 25 per cent. less than a comparable capacity steel using plant, is cheaper to run, less labour intensive, and much easier to programme.

More information is available from the Amey Roadstone Corporation, 15 Stanhope Gate, London W1Y 6AB (01-499 3611), a member of the Gold Fields Group.

TONY FRANCE

● ELECTRONICS

Texas first with bubble memory

HARD ON the heels of the news that Texas Instruments was offering a 92K bubble memory for evaluation comes the company's release of two compact printers in which bubble memories are being used for the first time as a vital ingredient of a standard work-a-day product.

The bubbles, which can be crudely described as tiny cylinders of magnetism on the surface of a semi-conductor electronic device which controls and reads the bubble patterns, do not disappear when power to the equipment is switched off or lost. Thus the information stored in such a bubble memory is virtually permanent.

The machines in which the memory is being used are two forms of the TI silent printer family, one portable and the other a desk-top unit.

Vertically integrated TI sees this development as all to the good since the bubble memory has no moving parts and replaces less reliable electro-mechanical storage equipment.

The company, from its Bedford headquarters in Britain, is already distributing the 92K bubble memory boards and expects by this time next year to follow suit with 256K devices.

More from TI on Bedford (0234) 67466.

Sees the web flaws

INTENDED mainly for paper production but applicable to many materials made in continuous web form is a laser-based quality control scanning unit made by Feldmuhle in Germany and offered in the U.K. by The Reiss Engineering Company.

The web is scanned by a rotating polygon mirror wheel and the reflected light picked up by a photomultiplier. Owing to the extremely stable light level produced by the illuminating laser and the small size of the scanning spot (1 mm diameter), imperfections down to 0.2 mm cause considerable variation in the electrical output.

The electronics following the photomultiplier enable summation of fault pulses and occurrence frequencies to be measured so that alarms can be given—say to mark the product or reject it—when predetermined levels are reached.

Opaque or transparent materials can be inspected by the device (the latter by placing the detector under the web). The company particularly recommends it for the high quality inspection needed for banknote paper, chromo-boards, photographic paper and coated paper.

More from Dalston Gardens, Stanmore, Middx. (01-204 7155).

● COMPUTING

Digitises micro input

THE MP8600 input/output unit just introduced by Burr-Brown International will plug straight into the Intel SBC 80/614 card cages and the Intellec 800 microcomputer development system.

It accepts as input up to 64 analogue voltage levels from ±10mV to ±5V, multiplexes, amplifies and digitises them and applies them to the microcomputer. It also takes two digital outputs from the micro and turns them back into analogue voltage levels.

A typical application of the device might be in process control where the inputs are from flow, temperature and other sensors while the outputs are control signals that will alter the settings of valves and heaters.

Input portion of the MP8600 includes an analogue multiplexer, high gain instrumentation amplifier, eight bit A to D converter together with the necessary timing, decoding and control logic. A dc to dc converter is available for operation from the computer's five volt power supply if required. Software is simplified because the analogue I/O channels provided by the unit are memory mapped.

More from 17 Exchange Road, Watford WD1 7EB (0923 33837).

● HANDLING

Floating on air

THREE standard Rolair transporters, each with a 90-ton load capacity, have been supplied to GEC Turbine Generators, Stafford, and are in operation to "float" turbine generator rotors between the heavy machine shop and the adjoining winding bay and also within the winding bay. Rotors up to 180 tons and 45 feet long are moved in this way.

Adoption of this movement system has increased the area available for use and allowed the winding of these very large rotors to be carried out in a clean environment and without heavy crane facilities.

This equipment, manufactured under licence by Rolair Systems (U.K.), of Reading, is fitted with compliant urethane diaphragms. These are pressurised, using a shop air supply, and a controlled leakage between the diaphragm and the floor creates a film of air, floating the load with virtually no friction. Unlike other movement systems, air film allows complete freedom of movement.

All three transporters supplied to GEC Turbine Generators are fitted with remote control units, helping the operators to maintain contact with each other when using two transporters in tandem; these control units incorporate a "deadman's handle" giving emergency braking when released. One transporter is fitted with a built-in air drive motor which can be indexed to give maximum manoeuvrability.

Rolair Systems (U.K.), Penta House, Basingstoke Road, Reading RG2 0HS. (0734) 52551.

● ACCOUNTING

Model shows brokers the future

A MODEL is being developed by Scicon Consultancy which will enable the London Stock Exchange to predict the effect that Talisman—its big computer development—will have on brokers' cash flow.

Scicon was commissioned by the Stock Exchange Settlement Services Department to write the model so that individual brokers could be shown what they could expect from the central settlement services, based on an IBM 370/158, for all U.K.-registered stocks, initially, excluding gilts and new issues. The system is being introduced in two main stages, and the first stage, Charm, comprising the checking and bargain accounting services, is now fully operational.

Talisman, will be introduced in 1979. The main concept on which it is based is the introduction of a Stock Exchange nominee company into which all sold stock will be registered during the course of settlement, this central "pool" of stock will then be used to satisfy all purchase bargains. It will represent a major simplification of the settlement of Stock Exchange business and is expected to provide significant opportunities for reducing costs and smoothing out peaks of work.

The Scicon model will be used to study the effect of different market conditions, as represented by jobbers dealing and settlement positions in representative stocks on apportionment and cash flow.

The effect of varying delivery patterns of the apportionment process and consequentially on the cash flows of brokers and jobbers will be determined as will the cash flows of specific brokers who may differ from the market in their business and delivery patterns.

More from Scicon on 01-580 5599.

● CONSTRUCTION

Post hole digger

WITH THE Arps 103S a farmer can dig holes to a depth of five feet for fencing and tree planting, and the tubular linkage mounted auger frame can also be used as a crane.

The unit is available with either single or double flight augers, from 4 to 24 inches in diameter. A positioning handle enables the operator to adjust the angle and position of the augur without leaving the tractor seat.

Drive is from the tractor pto, through a sealed-for-life heavy duty gearbox, while a single-pin connection enables the frame to be quickly adjusted to almost any category 1 three-point linkage.

Features include a crane hook (used with the auger and drive removed), double shear bolt drive protection, replaceable serrated cutting edges on the auger, replaceable threaded auger point, and a retaining nut which allows the auger to be removed from the ground should the shear bolt fail.

More from Opico (U.K.), 4, Westlode Street, Spalding, Lincs (0775 5691).

Splits hard blocks

CONCRETE KERB stones, and both breeze and concrete building blocks up to nine inches thick by 25 inches wide can be accurately and cleanly split by a range of machines introduced by Ercut Products, Jubilee Close, Townsend Lane, Kingsbury, London NW9 8TT (01-205 9773).

There are four machines, covering slab widths from 12½ to 25 inches. Two vertical guides and two horizontal beams form a rugged perimeter frame, with a fixed blade at the base. The beam carrying the top blade is forced downwards with a band operated hydraulic jack and the block to be cut is sandwiched between the two blades and subjected to a thrust of up to 15 tons.

The blades are triangular providing three cutting edges before replacement is required. The machines are fitted with a pair of wheels for site manoeuvrability.

● PROCESSES

Water in the blast

LATEST IN the range of portable air operated abrasive blast cleaning equipment made by Hodge Clemco is the Kleen-blast MK III claimed to be the first system to offer a wet or dry blast controlled at the nozzle by the operator.

The wet/dry operation is controlled by a "deadman" system. This is not only a safety feature, but also dispenses with the need for a pot tender to operate the water injection attachment and the blast cleaning machine.

Water is carried by a high pressure hose and injected immediately behind the nozzle. The water acts not only as a dust suppressor, but will also remove ingrained salts and chemical residues from old or pitted steel leaving a cleaner surface. The system can be used with the company's normal range of nozzles and abrasives, and with all but one of its blast cleaning machines.

Details from the maker at Orgreave Drive, Handsworth, Sheffield 13 (0742 697351).

National issues dominate

BY RAY PERMAN, Scottish Correspondent

SCOTLAND VOTES to-morrow for the first time since local government reorganisation. Local affairs have hardly figured in the campaign at all; instead the issues on trial have been national ones: the Government's record; the credibility of the Nationalists as a political party rather than just a Movement for independence; and whether the new local authority system can survive.

As in England and Wales, the councils to be elected this time will be the inheritors of the old counties and cities, but in Scotland they are second-tier authorities with very little responsibility and power in any field apart from housing.

Most of the venom directed against the extremely unpopular reorganised system has fallen on the top tier councils—the regions—which are not due for re-election until next year. The main threat to the districts, therefore, comes not from any violent antipathy but from apathy: many Scots see little point in turning out to vote for bodies that seem only to pass on rate increases or implement cuts in service ordained from above. A poll as low as 30 per cent. has been predicted.

For this election Scotland falls neatly into three parts. In the sparsely populated areas of the Highlands and the Borders there is hardly a political contest at all. Councils are in many cases made up entirely of independents.

Elsewhere there are two distinct battles being fought. The Scottish National Party has chosen to make its stand in the central industrial belt and is challenging Labour in a number of working class areas. Only in a few instances, such as Edinburgh, is there a real three-party contest.

But outside this area the SNP has either put up candidates for a minority of seats on a particular council, or is not fighting any of them. The battle here, therefore, is a straight fight between Labour and Conservative and could provide a pointer to how Thursday's elections in England and Wales will turn out.

The Nationalists are fighting more seats than at any time before. They are fielding 450 candidates and hoping to win nine districts to add to the one that they presently control and the two others in which they are the biggest party. The most recent opinion poll put them 9 per cent. ahead of the two other main parties, and their campaigns have been longer and stronger than those of their opponents.

All the evidence of the past 18 months points to big gains being made by the SNP. In a variety of by-elections in Edinburgh, Glasgow and central Scotland they have taken seats from Labour with ease, often by campaigning on the simple platform of independence for Scotland and abolition of the regional councils, rather than on specific local issues.

They can expect to increase their hold on the new towns, where the young population does not have the traditional instinct to vote Labour automatically; and this time they are also likely to do well in the older industrial areas such as Glasgow itself.

For the first time the party is fighting all 72 wards in Glasgow and is becoming increasingly confident that it will be able to take control of the city, even though it now holds only one seat — the result of a by-election after the Labour councillor had been jailed for corruption.

The returns from Glasgow to-morrow night will be watched carefully, since they will show how far the SNP has got in its campaign to wear down Labour's traditional majority. Winning control of the city would be a major boost for the Nationalists and a devastating blow to Labour's morale, but it is the implications for the future which will be analysed with the greatest interest.

Labour's campaign, the first since Mrs. Helen Liddell took over as Scottish Secretary of the party, has been based on a defence of the Government's record on housing. A major urban renewal programme in the inner city is being undertaken by the Scottish Development Agency and the local authority, but unfortunately for Labour (although it was announced a year ago) it is still too early to see any physical signs of progress.

The campaign has also been weakened by two major housing scandals which have come to light in the past fortnight. In the first a woman Labour councillor was forced to resign as deputy chairman of the Glasgow Housing Committee after the revelation that she had helped the woman with whom her son was living to jump the queue for a home in a high amenity area of the city. In the second, officials were shown to have been manipulating the letting policy to give council houses to people not entitled to them.

As if this was not enough, at the end of last week a public row broke out between senior Labour councillors over which of them would be most to blame if the party took a mauling at the polls.

It is not only in housing policy that Glasgow Labour councillors have damaged the image of the party among ratepayers. Corruption trials, involving expenses fiddling for petty amounts, have reinforced the commonly held belief among many Glaswegians that most elected representatives look to their own interests first and those of their constituents second, and there has been the ridiculous saga of the Golden Sword of Mecca.

The £20,000 sword was presented to the Lord Provost by the Prince of Mecca during a recent civic visit and, despite protestations from other councillors, the provost has maintained that it was a personal gift to himself rather than to the city. He is currently sueing one Labour and one Conservative councillor for libel over their comments on the issue.

The city has at least been given a laugh by the affair, but it is hardly surprising that to many voters the SNP seems like a breath of fresh air. A few Nationalists councillors have been named in connection with scandals, but have attracted relatively little attention from the Press compared to those involving Labour, and the party is not yet tainted with the stigma of having to increase rates and rents.

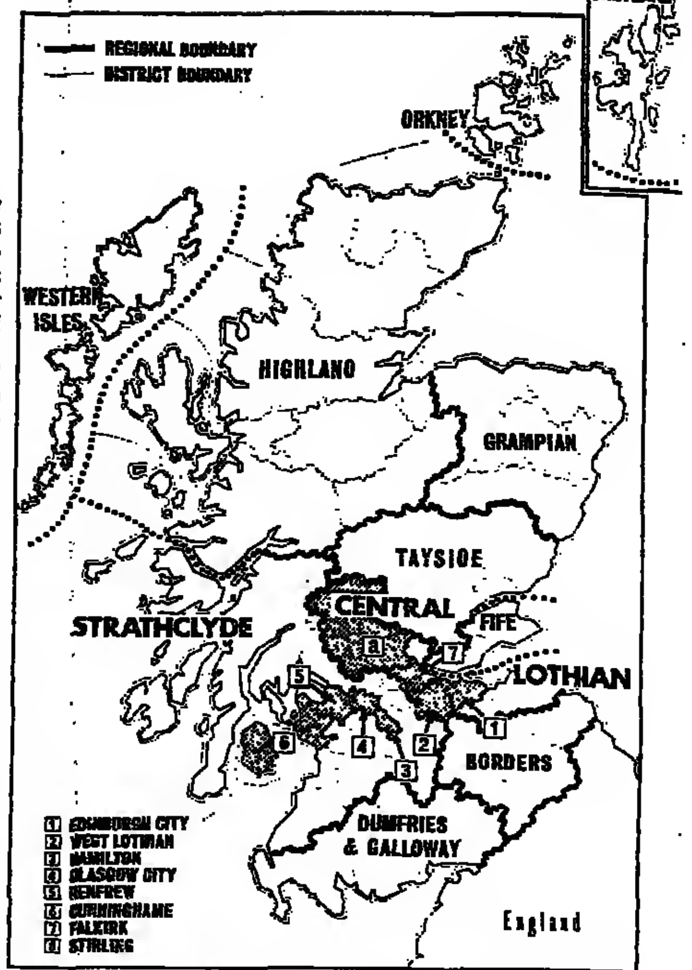
But outside the central belt the Nationalists have shown themselves reluctant to fight on a big scale, even in areas where they made Parliamentary gains during the 1974 General Elections. In some places this merely reflects a weakness or a lack of nerve on the part of the local organisation, but in others it shows that the party still sees independence as the aim and treats local government elections as an irrelevance.

In these areas the Tories have a golden opportunity to profit from the unpopularity of the Government. In Aberdeen where Labour is at present in control, there will be 32 Conservative candidates compared to only eight Nationalists. The city is unusual in that it has boomed throughout the recession because of its position as the main British base for the North Sea oil industry, but prosperity has also brought strains on housing and local services.

Aberdeen is also an area in which the Liberals hope to do well. Over the last decade they have been pushed to the bottom of the political ladder in Scotland and now hold only 18 district seats in Scotland. They have entered 130 nominations in an effort to regain a base in local government.

Perhaps the best prospect for a Tory victory is Dundee, where Nationalists are not fighting any of the 44 seats. The ruling Labour group has suffered from the poor employment situation in the city, from the conviction of the Lord Provost for assault at a civic function and from an internal schism that has meant six councillors being removed from the official list of candidates. Conservatives already hold 19 seats and are making a major push to gain control.

Among the minor parties, the Communists are fighting 33 Glasgow seats, but are not expected to win any, and the Scottish Labour Party—formed by defectors from the official Labour Party over the devolution issue—is contesting 3[illegible] seats. In by-elections the SLP has taken between 10 and 1[illegible] per cent. of the vote and although it is unlikely to win any seats, could significantly affect the outcome in wards where it puts up candidates.



Fall in real value of wages 'creating pay policy problems'

BY MICHAEL BLANDEN

THE FORMULATION of the next stage of the pay policy is proving difficult against the background of the drop in real disposable incomes, it is pointed out by Phillips and Drew, in its latest economic assessment.

During the present pay policy, the stockbroking firm expects a drop of nearly 4 per cent. in real disposable incomes, with retail prices rising by almost 14 per cent. and earnings by 10 per cent. in the 12 months to August this year.

But Phillips and Drew expects that agreement will be reached on a new pay policy between the Government and the TUC.

In the hope of obtaining an overall ceiling on pay rises, the brokerage firm argues that Government may be forced to freeze some public sector prices from this autumn as well as offering some further tax relief.

The additional relief could take the form of a commitment to cut the basic income tax rate to 30 per cent. from April, 1978, if the pay policy proves successful.

However, any agreement is likely to contain elements of flexibility. This leads Phillips and Drew to expect an increase in pay settlements in the 1977-78 round, averaging about 15 per cent.

With pay rising at this rate, it does not foresee that the Chancellor will be able to achieve his single figure inflation target for any sustainable length of time in 1978. Retail prices are expected to rise at 10-12 per cent. for most of next year.

The monthly economic survey published by de Zoete and Bevan expresses immediate concern over whether an attempt will be made to stabilise interest rates. The survey argues that monetary policy may already have started to be relaxed.

But De Zoete and Bevan adds: "We fear that rates will be allowed to stay at levels which cannot be sustained without an excessive increase in the money supply." The current balance between the demand and supply of funds "heralds a turning point in interest rates."

Dr. David Lomax, economic adviser to the National Westminster Bank, foresees, in his latest economic assessment, that there will be increasing pressures on the Government to change the balance of economic priorities over the coming months.

Aluminium smelters 'may cost £600m.'

A GOVERNMENT-BACKED scheme to build three aluminium smelters in Britain may cost the taxpayer in loans and grants at least £600m. instead of the £110m. originally planned, a book published to-day asserts.

The scheme for private enterprise to build the smelters with Government assistance was launched in 1968 by Mr. Wilson's Labour Government. It aimed to create 1,850 jobs and effect a saving on our balance of payments of nearly £200,000 for every job created.

Mr. Colin Jones' book was published yesterday by the Centre for Policy Studies which is chaired by Sir Keith Joseph.

Mr. Jones says the British aluminium industry was built up in 1968 in the bold expectation that it would create a virtually new science-based industry, save imports and provide jobs where they were most urgently needed.

The plan was revealed to the Labour Party conference in 1968 and later, with Government assistance, three aluminium smelters were built. One by Rio Tinto-Zinc at Holyhead, Wales; another by British Aluminium at Invergordon, Scotland; and the third by Alcan next to a coalfield at Lynemouth, Northumberland.

It was estimated at the time, says the author, that the total cost of the three smelters and their associated electricity generating plant would be close on £200m.

*The £900,000 Job: by Colin Jones; Centre for Political Studies: £1.85 + 15p p & p.

APPOINTMENTS

Foseco Minsep

Dr. B. Rose, group technical director of Foseco Minsep International, has been appointed deputy chairman and managing director of FOSECO STEELMILLS INTERNATIONAL and also a director of FOSECO INTERNATIONAL.

*

Mr. F. J. Briggs who for the past 18 months has been deputy chairman and managing director of NORCROS, relinquishes his duties as managing director to concentrate on his role as deputy chairman. At the same time Mr. W. K. Roberts assumes the duties of managing director. Mr. V. C. Yaldren is elected to the Board and will continue as company secretary, while Mr. P. J. Marshall is to leave the Board on July 31, to take up another appointment. Concurrently with these changes Mr. T. C. F. Simpson is appointed financial controller.

*

STANDARD TRUST states that the following have joined the Board. They are: Mr. R. E. Artus, chairman; Mr. B. Medhurst, Mr. M. G. Newmarch and Mr. D. Sirkett. At the same time Lord Remnant, Mr. R. J. Dent, Mr. J. F. Ormiston, Mr. C. Talbot Rice and Mr. W. R. S. Ritchie have resigned.

*

Mr. F. K. Goodenough and Mr. B. E. Marking have been appointed directors of BARCLAYS BANK INTERNATIONAL. Mr. Goodenough is also a director of Barclays Bank U.K. Management while Mr. Marking is deputy chairman and managing director of British Airways.

*

Miss H. M. Root, Mr. P. S. Tyler and Mr. S. A. Thorpe have become partners of SHEPPARDS AND CHASE, stockbrokers. Mr. E. L. Jones has resigned from the partnership to join Antony Gibbs Financial Services, and Mr. E. C. Edghill, Mr. C. D. Mitchell and Mr. J. S. Sandilands have also resigned from the partnership.

*

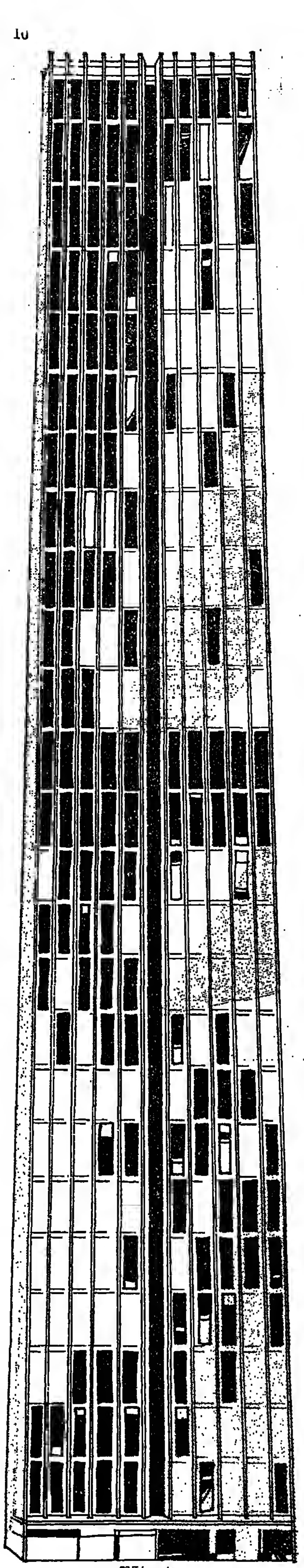
Mr. W. Garner, chief executive of the steel division and Mr. F. C. W. Whitehouse, chief executive of the fastenings distribution division have been appointed to the Board of GLYNWED.

*

Mr. Ralph W. Simms has been appointed a director of W. and J. GLOSSOP. He is already a director of Anglo American Asphalt which owns 26.9 per cent. of Glossop.

*

Mr. John Simpson, formerly general manager of LENNOX FOUNDRY COMPANY—a member of the A.P.V. Group—has now been appointed to the company Board.



Building and Civil Engineering

£40m. contract in Dubai

A CONTRACT worth £40m. for one of the largest commercial and residential complexes in The Gulf has been awarded to G. and T. Construction, a Dubai-based company in which Tarmac has a 50 per cent. interest. Formal signing of the contract will be in London to-morrow.

The complex, to be known as the Al-Ghurair Centre, will be in the Deira central area of Dubai and will have a total built up area of 1¾m. square feet.

It will comprise a ground and first floor shopping centre with over 60 units, a second floor car park for 600 vehicles and a third floor with swimming pool, restaurants, gardens and walkways.

These three floors form a podium from which will rise three seven-storey residential blocks with about 500 apartments.

The building will be constructed with a reinforced concrete frame and concrete blocks rendered with a Tyrolean finish. Facings in the pedestrian areas and the shopping precincts will be of marble.

Pillog has already begun on the six acre site. At its peak the 2½-year project will employ up to 1,500 men, most of whom will be housed in camps in Dubai.

£1m. homes project

WILLIAM LEECH (Midlands) has started work on the roads and sewers of a £1m. private residential development on a hillside overlooking the Mickleover golf course on the west side of Derby.

Leech intends to build just over 100 units on the site ranging from two-bedroomed flats costing about £8,500 to four-bedroomed detached houses in the region of £18,500.

The new development fronts the main Uttoxeter road and the Mickleover by-pass.

Fitting out the shop

A 40,000-square-foot retail store in the Grange Road development in Birkenhead is to be fitted out for Owen Owen by Bovis Construction.

Valued at £600,000, the work, on four floors, includes fitting out sales departments, a restaurant, office accommodation as well as shop fronts.

Heating, air conditioning, escalators and a sprinkler system are also to be installed.

Bovis has also been awarded a £226,000 contract by Brown and Tawse for a five-storey office extension to its head offices at St. Leonards Street, Bromley-by-Bow, London, E3.

£2m. worth for Higgs and Hill

THREE contracts, valued together at over £2m. have been awarded to the Higgs and Hill Group. They are for office projects in Swansea, Manchester, and Bristol.

The largest is a £1.2m. development in High Street, Swansea, for a subsidiary of Troutbrook Developments. Work starts soon and when completed in August next year the building will be occupied by the Department of the Environment. Architects are Brinson Green and Partners, while Hay Barry and Partners are acting as consulting engineers. Surveyors are David Hardy and Partners.

A five-storey office block in St. James's Square, Manchester, is being built under a £700,000 contract for the National Mutual Life Association of Australasia. When complete in July the building will provide 17,550 square feet of space with an additional five shop units fronting on to St. James's Square. Architects are Peter Black and Partners, Sir Frederick Snow and Partners the consulting engineers and quantity surveyors are Gleeds.

In Bristol, Higgs and Hill has won a two-storey office block extension contract valued at nearly £200,000. This is for McArthur and Co. (Steel and Metal) and will be completed in December this year. Moxley Jenner and Partners are the architects and surveyors, and Roughton and Fenton are the consulting engineers.

Work at airport

COSTAIN Construction has won a contract worth over £½m. from the British Airports Authority for work on pier 1 at Heathrow Airport's Terminal 2 passenger building.

The contract includes construction of two new gaterooms with baggage-handling facilities, a toilet block, and general improvements to an existing gateroom. The construction is at first floor level with a roof-level plantroom. Work is due for completion by the end of the year.

£11m. homes awards to Llewellyn

CONTRACTS worth about £11m. have been won by the Llewellyn Group.

In Eastbourne, Sussex, the Group is to build houses and flats at a cost of £5m. for the North British Housing Association, while not far away, in Hove, 115 houses are to be built for the Guinness Trust at a cost of £1¼m.

The Group's Quikbild dry construction timber frame systems has been called for by the Greater London Council for homes at Burgess Hill, Sussex and at St. Pauls Cray, Kent. These two contracts are worth £1¼m. Also in Kent, Dover District Council has awarded Llewellyn a £1m. contract for Quikbild housing on two sites at Deal.

Llewellyn has also been awarded two contracts relating to hospitals. One covers the provision of new operating theatres at the Royal Sussex County Hospital, Brighton, for the South East Thames Regional Health Authority at a cost of £1m. The second is for the South West Thames Regional Health Authority which is extending hospital facilities at Horsham, Sussex. This will cost in the region of £2m. and will take about 2½ years to complete.

Finds the true cost of accidents

THE FIRST full year of the Health and Safety at Work Act has recently ended, coincidentally with the announcement that the number of fatalities in the construction industry in 1975 has risen from 161 in 1974 to 181. Although the two events are unconnected, they remind the industry that the risks are still there even at a time of reduced activity.

To study the problem a Construction Central Operations Unit was set up by H.M. Factories Inspectorate last year and one of its conclusions was that "there is a need to spread this accountability (for accidents) downwards, to encompass middle management and impress upon people who are in charge of other people that health and safety matters are an essential part of their jobs."

To work out a method of doing this is not simple, but GKN Mills Building Services thinks it has the answer: to determine the cost in financial terms of each accident.

According to the company's director responsible for safety, Tom Palferman, no manager who is trying to reduce his overheads and/or increase his profitability can now afford to ignore safety at work. The humanitarian reason for reducing accidents, though important, is not strong enough to keep accident prevention in the minds of managers at all times. But the financial cost is.

Before GKN Mills could embark on its aim to incorporate accident-prevention within the "management by objectives" philosophy of the company, it had to devise a method of establishing the actual cost of each accident. A number of cost elements had to be taken into account, for instance, loss of production, loss of subsequent orders, damage to materials, replacement labour, lost time of injured and other employees, welfare payments, and so on. The result is that even the minor accident can run up an alarmingly high figure.

A pilot scheme, which was presented in a paper entitled "Costing of Accidents" to the company's own Safety Conference last November, is now being implemented and it is hoped to make it company practice next year.

When the company has gathered sufficient information from its pilot scheme, it will be prepared to talk to groups of seminars and discuss its findings on the subject of costing of accidents.

At work in Nigeria

Dobbie and Partners, have signed an agreement with Nigerian partners to carry out design of major highways and bridges in Nigeria. The name of the partnership is Dobbie Banjo Kafaro and Associates.

Mr. K. B. Davies, project engineer, and Mr. A. Smith, highway engineer, have been seconded to DBK from the UK and are already busy on survey work and the collection of data in Lagos.

Plasterers protest

A PROTEST that a combination of firm price tendering and frequent price increases for materials places an unfair burden on the plastering industry, is to be made by the National Federation of Plastering Contractors.

The position, says Mr. J. H. G. Wickens, president, is that if a material manufacturers' price increase is approved by the Prices Commission the manufacturer is able to implement that increase immediately. But the users of the material, both builders and sub-contractors, are often tied to a firm price for up to 12 months.

Plastering contractors were particularly vulnerable because their sources of material supply were very restricted. It was no use telling them to use an alternative as the supply position was virtually a monopoly one.

Mr. Wicken's comments follow a decision of his Federation to raise the issue with the Price Commission as a matter of urgency. The Federation wants longer notice to be given to the industry of pending price rises. The latest (April) increase of 9 per cent. in gypsum-related products is the third rise since May, 1976, and the seventh since January, 1975.

Lifts and escalators

THREE orders worth more than £850,000 have been won by Marryat and Scott, the Sime Darby lift and escalator manufacturer.

For London's Wood Green Shopping City, part of the Haringey Central Area Redevelopment Phase II, 17 hydraulic goods lifts, seven two-speed passenger lifts, a service lift and five escalators are to be supplied at a cost of over £500,000.

At Debenhams, Marylebone Lane, London, Marryat and Scott is to provide three passenger lifts, three two-speed goods lifts and six escalators. Total contract value is over £250,000.

The London Borough of Southwark has placed a £100,000 plus order with the company for major repair work on six passenger lifts in high-rise housing blocks.

Saving energy in the home

VERY LITTLE has been heard so far about what will undoubtedly become one of the most interesting and important energy saving study projects in Europe. Sponsored by Dutch Government departments, who appear to take the matter of fuel conservation much more seriously than their counterparts in Britain, it is due for completion in September and covers the "operation" and statistical study of 32 houses of varying design, equipped in a number of ways for conservation/heat recovery.

Total cost is put at about 1.5m. guilders of which the Ministries of Housing and Finance will contribute around 1m. while the Philips organisation, much of whose equipment will go into the various systems to be tried out, will provide the remainder.

The Veldhoven project will involve quite complex comparisons of performance since, of the 32 houses, 20 are insulated to the latest building standards laid down in Holland. This means they will have insulation generally well above the norm for the average Dutch house but will not, for instance, be double-glazed.

Twelve of these houses will be used for reference and will be heavily instrumented.

In the remaining eight, equipment is provided to heat domestic water supplies, either through a small heat pump which extracts heat from waste water from baths and washing machines, or through a solar panel heater connected to the main tank.

For the twelve of the 32 houses, separate from the 20 already mentioned, a special effort is being made on insulation with double glazing and other forms of insulants, but all materials or equipment easily obtainable in the trade. Their heat demand is estimated at 6,000 kcal/hours at an external temperature of −10 degrees C and a wind speed of 10 metres/sec.

These dwellings form the hub of the experiment since they will, in groups of three, test four different systems of central heating, apart from being equipped with a ventilation unit which extracts the heat from the stale vented air to warm incoming fresh air. Something like 60 per cent. of the heat in the reject air is recovered in this way.

The first group will use heating by conventional hot water radiators, while the second will test a new version of floor heating. This relies on aluminium plates under the cement screed which are heated by close contact with stainless steel piping.

The third group will have the same type of floor warming system but in this case the heat will be extracted from a 2,000-litre tank the water in which is warmed by a solar panel system. A small gas boiler provides stand-by heating in exceptionally cold or dull weather.

In the last group, the house heating system is similar with the variant that a single heat pump serves the three dwellings, drawing heat from ground water in a well about 120 feet deep close to the buildings. Average water temperature in the well throughout the year is put at 10 deg. C. and the heat pump works continuously.

A great deal more could be said about the project. But it is early days and there will be many modifications in the light of experience since every house, bar the showpiece, will be occupied by rent-paying tenants.

More from Philips Industries, 11, Hanover Square, London W1A 4QP. 01-499 9555.

Back to the shell

IT LOOKS as though Parashells are at last beginning to be taken seriously in the U.K. An unconventional dome-shaped construction which can be erected simply and quickly, the Parashell has been successful in other parts of the world since its development about 10 years ago but until now there has been little interest in this country.

The first commercial Parashell was erected last week at Mildenhall Upper School in Suffolk for the County Council. It was carried out by Norwest Holst, which is the sole licensee in the U.K., for designers Binnishells of Italy. The main contractor on site was Bright Bros. of Tuddenham.

The second Parashell will go up at Malvern Girls College and Holst (Wales) will be in charge of the project, which involves positioning the structure on legs in an artificial lake.

Holst, which says it has a list of about 150 potential uses for the domes, from sports centres to factories and concert halls, says the Parashell represents a rare case of new technology working out cheaper than the conventional. Cost is about the same as an average council house and the Malvern structure, when complete, including furnishings, works out at £11.40 per square foot.

The erection system is claimed to be unique. To overcome the technical difficulties and high cost of making curved frameworks in non-flexible materials, a nylon-reinforced membrane is tailored to shape. This pneumatic former is spread out and anchored to the outside of the foundation ring beam. Steel reinforcement is laid out on the membrane and concrete—RMC are doing the job at Mildenhall—is poured and evenly spread at ground level.

A top sheet of pvc is placed over the wet concrete and secured to the foundation ring. Air is then pumped between the base and the membrane and the wet reinforced concrete is raised to the correct finished shape. The whole structure takes a week to put up once the foundation is ready.

MICHAEL CASSELL

Hunting's mapping facility unveiled

LEADING in many of the advanced aspects of surveying and mapping techniques, Hunting Surveys has unveiled what it believes represents the biggest and most complex commercial mapping system developed anywhere.

The array of equipment includes eight photogrammetric stereo plotting instruments connected directly to a control minicomputer, as well as a digitiser and flat-bed plotter.

Input is aerial photographs which are fed to the stereo plotters to derive survey information. This is processed by the computer which can then be instructed either to produce map sheets or store the data digitally for further processing.

Primary objective of the equipment is to produce topographic map sheets to a high cartographic standard of presentation and accuracy more quickly and economically than by conventional map production methods.

It is also intended for the production of data which makes possible volumetric calculations, digital ground models and data banks.

Hunting has spent several years and hundreds of thousands of pounds on the development of the techniques required and the solving of some pretty difficult problems. Some of these were in the computing field and should be of interest to other computer users since new applications are beginning to emerge. SPL International was the consultant during the development.

More from Hunting at Elstree Way, Borehamwood.

Floating breakwater takes shape

FIRST sections of a prestressed concrete floating breakwater designed by Floating Breakwaters, a subsidiary of Taylor Woodrow International, have been launched into the Clyde at Govan in Glasgow.

When the latest 140 metres long section is positioned at the mouth of Gare Loch it will go to form a floating breakwater which, when completed later this year will be 670 metres long, displace 2,053 tonnes and afford protection to over 300 berths at the new Rhu Marina.

First phase of the breakwater project, which will initially provide 220 berths, will be finished in the next two weeks.

The breakwater is being constructed by Reed and Mallik for Rhu Marina, a consortium headed by the Clyde Port Authority. It is designed to create sheltered conditions economically at both shallow and deep water sites.

IN BRIEF

● A £315,000 contract for a steel-framed building to be used as a bonded whisky storage warehouse has been awarded to Holland, Hannen and Cubitts (Scotland) by Arthur Bell and Sons. Cubitts is also upgrading council houses at Bathgate at a cost of £86,000 for West Lothian District Council.

● Graham Wood Structural has won an order worth over £300,000 from the Central Electricity Generating Board for a number of buildings to be erected on the gas turbine station site at Hayes, Middlesex.

● Charcon Tunnels has received a £100,000 order for linings for a shaft and conveyor tunnel for the National Coal Board at Treeton Colliery in South Yorkshire. Main contractor for the project is Thyssen (Great Britain).

● Anglian Building Products of Lenwade near Norwich is to supply 756 precast concrete tiled walkway units to Balfour Beatty Construction for use in the second Dartford tunnel under the Thames. Each unit will weigh about 1 tonne.

● Ibstock Building Products is to supply 400,000 facing bricks for British Rail Hovercraft's facility in the Western Dock area of Dover.

The Executive's and Office World

EDITED BY CHRISTOPHER LORENZ

Films can help put across a message or provide instruction. But many a pitfall awaits the unwary, as Sue Cameron explains.

Impressions on celluloid

THE FASCINATION which motion pictures exercise over the human mind has never been adequately explained, but whatever the secret of the spell they cast it is certain that industrialists are just as susceptible to it as everyone else.

Yet industrial films do not follow the precepts of the legendary film-maker, Mr. Sam Goldwyn, who held that anyone with a message to deliver should go to the Western Union telegraph company and not to a movie maker. Commercial organisations use film, film strips, videotapes and slides to sell their products to consumers, to boost their image with the public and to put across ideas and information to their employees.

Films—whatever the particular message they are trying to impart—can be used to great effect in industry simply because they can attract and hold people's attention better than books, leaflets or lectures. At the same time film making can be full of pitfalls for unwary or inexperienced managers.

A company can hire a film from one of the big industrial film libraries, it can buy a copy of one that has already been made or else it can commission a film of its own. The final choice will depend largely on the purpose for which the film is wanted.

"Films stay in the memory longer than books or talks." But if they are to have more than just entertainment value, they should not be used in isolation from other training or sales techniques. Here, Rodney Bewes, of Likely Lads fame, stars in a new Rank Aldis training film about purchasing, titled "Never Take Yes for an Answer."

Best course to buy or hire

If an organisation intends to use film as an aid to training it may well find that its best course is to buy in or to hire for there are many excellent training films available. On the other hand if a film is needed to sell a particular product or to increase corporate prestige then it might be that the only viable course of action is to commission one.

It costs between £15 and £50 to hire a film for a couple of days, while the British Industrial and Scientific Film Association estimates that the average cost of commissioning a film works out at about £1,000 per minute of final running time. The association stresses that this is only a rough and ready guide and that industrial films can cost far less or far more to produce.

Slides and film strips are considerably cheaper to make than a full-blown 16mm film and they have almost as much appeal. A company that is thinking of putting itself or its products on celluloid for the first time might be wise to start off in a small way by commissioning, say, a film strip.

One way of cutting the cost of film making is the do-it-yourself approach, but this is not normally advisable. A company's managing director may make superb home movies but the chances are that his attempts to produce a commercial film will be disastrous. If a film is to have the desired impact then it must be done professionally.

A list of film production units plus background information on the type of work each unit has specialised in is available from the British Industrial and Scientific Film Association. It is thought that managers may find it useful to discuss their aims and ideas with several different film directors before actually commissioning anyone. This enables them to choose the director who is most in sympathy with their particular objectives.

Once a film unit has been commissioned it is important for managers to discuss the whole project with the director in terms of cost as well as ideas. If a company wants its film to be shot on a number of foreign locations it is going to cost far more than if the whole thing is limited to the confines of a single factory.

Yet some managements have been criticised by film makers for refusing to give directors any idea of the amount of money they are prepared to spend. Mr. Godfrey Jennison, film manager of Shell U.K. and himself a former producer, reckons that up to two-thirds of commissioning organisations fail to discuss cash limits with their film directors.

He says that instead they outline their ideas, send the unit off on location and assume that the final bill will depend mainly on the length of the finished film. When the director comes back from location and tells them how much the shooting has cost to date there is a major row.

Mr. Jennison adds that a commissioning company should always look at the cost of distributing a film as well as the cost of making it. After all, there is no point in producing a superb film if nobody is ever going to watch it. Another point is that a film must be designed with a particular audience in mind. For instance, if a film is aimed at engineers it must be reasonably technical otherwise they are likely to become bored and dismiss it out of hand.

It is easier to measure the cost-effectiveness of some films than of others. It is virtually impossible, for instance, to measure the benefit derived from a general prestige film such as ICI's Bridge Across the World. On the other hand, the return on a short film designed to show exactly how a newly developed piece of heavy plant works can be quantified in terms of the number of orders received for the product. Companies such as SGB, which deals in scaffolding and formwork, have found that film and film strips are often the best way of selling both services and bulky equipment. The advantage of celluloid selling is that customers can actually see what they are buying before they part with their money.

To be cost effective a film must be properly used. Film companies insist that their products should always be used as an aid to selling or training—they should never stand alone. A sales film, for example, needs to be followed up with brochures and a personal visit from a company's representative.

A training film should also be followed up with a general discussion or it may be used to elaborate on a point that has been made by the instructor. If managers, or any other employees, are simply shown a film and then allowed to go home or go back to their offices they are likely to see the screening in terms of entertainment rather than training. Some may even take the opportunity to have a quiet nap.

Boom in safety

At present there seems to be a boom in films designed to teach people about safety—probably because of the new legislation on health and safety at work. Mr. John Goodwin, marketing manager of Millbank Films, says that films are particularly useful in this field because they can actually show people what happens when safety precautions are neglected. Films, he says, have greater initial impact and they stay in the memory longer than books or talks.

He adds that films can also be extremely useful in industrial relations training. He says this is because people are happy to attack or criticise a stereotyped manager or shop steward who is depicted on the screen. The result can be most productive. Yet if people were left to talk about real personalities in their company the discussion could lead to resentment.

A company can reap considerable financial benefits from commissioning a good film or film strip. If a film proves popular with other organisations in the same industry it is possible to cover the initial costs of production fairly quickly through fees charged for hiring it out or selling prints. And some companies have made handsome profits from films they have commissioned.

EXECUTIVE HEALTH

BY DR. DAVID CARRICK

Insure against ignorance

WITH THE possible exception of airline pilots and deep-sea divers, executives have to undergo more medical examinations than most people.

A high proportion of these exercises are undertaken for the purpose of obtaining life-assurance — a necessary procedure for the sake of the assuring firms, but some of the results are not always so reassuring for the examinees. This is because of the curious legend at the end of the form, which urges: "Kindly do not divulge the results of your examination to the applicant."

The reason for the direction is obscure, and the principle, in my view, is wrong, because a deal of human suffering can be induced under certain circumstances. In one's innocence, it would seem only right and proper to advise an applicant that his health was apparently wanting so that he could take further advice in order to be cured or at least to ameliorate the severity of his malady. But, in the case of the man or woman who fails the medical or is heavily loaded because of it, there is a silence that is hard to penetrate.

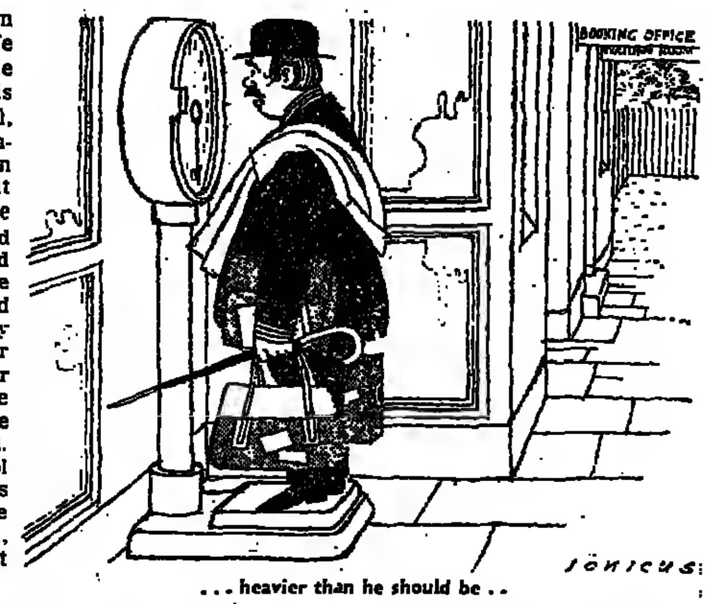
Two people, one in each of the said categories, have come my way in recent months. One, a 50-year-old executive, arrived and reeled off a string of bizarre complaints ranging from pains in his toes (switching from foot to foot) to dizziness and hiccups. I could not find too much wrong with him and was forced to delve into the psychological picture. It was some time before he admitted, almost as though he had committed some sin, that he had been loaded 40 per cent. on his life assurance. For six weeks he had been worrying about his health. Was it his heart? Well, he had started to have palpitations lately, particularly when lying awake and fretting about his fate. Then, of course, there was his chest. He had admitted to smoking a pipe but had tried to give it up and had become even more edgy. Then he would wonder about his liver and try to feel it. Striking his lower ribs he would go cold with fear at the hardness which must be due to those odd gins his wife was always nagging him about. So he would stop all alcohol which should also help his weight which, according to the machine on his local station, was far greater than his height permitted.

And always through his shallow, flickering sleep he could hear the dark answer of the dour doctor to his question after the ordeal as to whether he was all right: "You'll live." Comforting? But for how long? Should he alter his will? And so on in an endless chain of worrying misery which led to the hollow-eyed, jittery wretch seeking advice. He is better now but is worried as to how he can afford to pay his inflated premium.

Unfortunately, assurance companies tend towards obduracy both with regard to refusal to give revealing reasons and far more so when it comes to any question of reconsideration in a kindlier light. I am extremely happy to report, therefore, that in another case, one such firm displayed unusual charity. The patient was a young married woman, the wife of a rising executive. Although she had felt very fit before the insurance medical, she became extremely disturbed when she discovered that she had been failed. Not funny at any age; horrifying at 26. The poor girl even wondered whether coffins were subject to VAT.

I was not looking forward to seeing the unhappy woman as I presumed that she must be deep in the grip of some terrible malady for which no remedy could be found. Imagine, therefore, my amazement when I could find no fault in her. There was something different, however, something most notable and interesting. So I wrote to the firm and explained why I had had to see the young woman but I pointed out that I could find nothing whatsoever amiss in either the patient or in the vigorous foetus she had been carrying for some six months. Surely, I asked, advanced pregnancy was no cause for refusal? They made no reference to that in their reply but did admit that she had been turned down because of "overweight," but graciously added that they had reconsidered the case and had waived all objections.

So there was a happy ending and an even happier one three months later when the innocent cause of the misunderstanding was born, a charming girl-child as yet unnamed. But I have been assured that the beautiful result of the couple's happy alliance and union will not be called Pearl, or Prudence.



... heavier than he should be ..

Clerical pay in Europe

A REPORT on trends and practices in the remuneration of clerical and administrative staff throughout Europe has just been published. It covers 12 countries, and is divided into two sections, the first giving comparative information about remuneration, fringe benefits and social security arrangements. The second provides details of base salary levels, bonuses and frequency of payments. The report — Office and Administrative Personnel Remuneration — is available from Management Centre Europe, Avenue des Arts 4, B-1040, Brussels, price B.Frs.8,750.

BIM training service

A NEW management development and training service is being introduced by the British Institute of Management. The move is a consequence of the rapid expansion of a facility introduced two years ago which provides an in-organisation service on such subjects as general managerial awareness, industrial relations and financial awareness. The existing facility offers a diagnostic, "custom-built" approach and the new service to augment it will call on a widening network of specialists to meet particular needs.

Business courses

Organising Multinationals, Heathrow Hotel, London Airport, May 25-27. Fee: £145. Details from Management Programme, Brunel University, Uxbridge, Middlesex.

Improving Stock Control, Piccadilly Hotel, May 24-25. Fee: £90 plus VAT. Details from ASM, 5, The Parade, St. Johns Hill, London SW11 1TG.

International Mergers and Acquisitions, Grosvenor House Hotel, May 31-June 1. Fee: $325. Details from AMR International, 6-10, Frederick Close, Stanhope Place, London W2 2HD.

Quantitative Methods for Marketing Management and Research, University of Bradford; May 22-27. Fee: £175. Details from The Management Centre, Heaton Mount, Keighley Road, Bradford, West Yorkshire.

Selecting the Right Candidate, Whites Hotel, Lancaster Gate, May 23-27. Fee: £212.76. Details from Course Administrator, Institute of Personnel Management, Central House, Upper Woburn Place, London WC1H 0HX.

Corporate Management Today, Piccadilly Hotel, June 2. Fee: £40 plus VAT. Details from Head of Conference Registration, British Institute of Management Foundation, Management House, Parker Street, London WC2B 5PT.

The Personal Effectiveness of Managers To-day, London Hilton, June 3. Fee: £60 plus VAT. Details from Head of Conference Registration, British Institute of Management Foundation, Management House, Parker Street, London WC2B 5PT.

THE FINANCIAL TIMES
(Established 1888)
Incorporating THE FINANCIAL NEWS
(Established 1884)
Head Office Editorial & Advertisement Offices:
BRACKEN HOUSE, CANNON STREET, LONDON EC4P 4BY
Telephone Day & Night: 01-248 8000. Telegrams: Finantimo, London
Telex: Editorial 886341/2, 883897 - Advertising: 885033
For Share Index and Business News Summary Ring: 01-246 8026

MONDAY, MAY 2, 1977

Strike threat in Ulster

THE GENERAL strike in Northern Ireland threatened to-day by militant Ulster Loyalists is a serious menace, and it would be foolish to underestimate it. The last Loyalist strike in May, 1974 was massively supported by the Protestant population and was successful in its aim of bringing to an end the power-sharing executive on which the British Government had placed so many hopes. There is not the slightest possibility that a similar strike this week would bring to an end direct rule from Westminster and substitute, as the United Unionist Action Council demands, a revived Stormont Parliament and majority rule; but it would certainly have a dreadful effect upon the economy of the Province, which is already in parlous straits, and it would postpone indefinitely even the most tentative new initiatives on the political front.

Independence

But will the strike receive whole-hearted support from the Protestants? Things are not at all the same as they were three years ago. It is one thing to destroy a political experiment which epitomised for Protestants the "sell-out" to the Catholics; it is quite another to bring on a direct confrontation with the British Government—which represents to many Protestants, in spite of all that has happened, the unity of the U.K. The logic of the UUAC's position would suggest that if Mr. Roy Mason refuses, as he must, to restore the Province to the former, Protestant supremacy in Ulster in the old form, the Province should opt for independence. It is not altogether clear whether this logic appeals to Mr. Ian Paisley, though some of his pronouncements have toyed with it; but it certainly does not yet appeal to the mass of Protestants. That is why the official Unionists and the Orange Order have refused to back the strike and are now busily denouncing Mr. Paisley and Mr. Ernest Baird, his chief ally.

There is another reason why it does not make much sense for Protestants to support the strike on this occasion. The security situation, which is one of the chief complaints of the UUAC, has actually been improving steadily in the past four months. It is true that the IRA has succeeded in assassinating some particularly prominent figures during that period and the killings have therefore caused more than usual publicity and revulsion. But in absolute terms there has been a sharp drop in the number of shootings, bombings, and civilian casualties. The morale of the Royal Ulster Constabulary has been vastly improved, in part because of reorganisation under a particularly able Chief Constable and partly because the end of detention has reinstated the police as the chief instrument for enforcing law and order in the Province. Against this background Mr. Paisley's violent attacks on the weakness and inertia of the authorities do not look as convincing as in the past.

Executioner

Given these doubts and the opposition of much of the loyalist Establishment, the success or failure of the strike is very much a test of Mr. Paisley's personal following. There has been a general impression in Northern Ireland that he has lost ground during the last year and it is understandable that he should want to recoup those losses in the local government election on May 18 by whipping up Protestant discontent. He has, in effect, been the chief executioner of every Northern Ireland regime since Lord O'Neill of the Maine's. He can hardly oust Mr. Roy Mason, but he might at least beat Mr. Harry West, Mr. James Molyneaux and Mr. Enoch Powell from the field. He has a very powerful personality and a last-ditch rhetoric of the "Better-to-die-like-men" variety to assist him. But any hope of political reconciliation and progress in the foreseeable future depends upon a demonstration this week that the force he has and the determination of the British Government wrongly.

Caution on the IMF's role

THE MEETING of the International Monetary Fund's steering committee in Washington last week could not have expected as much publicity as the heads of Government are likely to obtain for their summit in London. But any success the London conference may achieve on the financial side will in large measure be due to the work already done in Washington. The IMF has emerged from a back-seat position where it has been for a number of years and is once more playing a leading role.

This has been an unforeseen result of changes in the pattern of world payments. Under floating exchange rates the international balance of payments—deficits balance automatically; but the balance is being achieved in a precarious way. The oil producers are running a current surplus of over $40bn. and the only other major surplus countries are West Germany and Japan.

Yet the owners of the oil revenues are not directly financing all the deficit countries. Their surplus funds are concentrated in a few financial centres from which they are re-lent by operators in the Eurodollar and Eurobond markets. If this system is to continue, doubts about the creditworthiness of the borrowing countries must not be allowed to gather force, especially among the American banks so actively involved.

Re-cycling

The IMF comes into the picture because of the stringent conditions it imposes on applicants for help. An agreement with the fund serves as a certificate of good housekeeping and as such is a base on which a larger pyramid of private credit can be based. For this reason, as Dr. Arthur Burns hinted a couple of weeks ago, pressure is now likely to be put on borrowing countries to make more use of their higher credit tranches with the IMF.

If the Fund is to fulfil this role, it will need more resources. The Witteveen proposals for a special facility to be supplied by the oil producers and the main industrial creditors have not had a smooth passage. The Saudi Arabians still have reservations and the facility does not look as if it will be as large as the $16bn. originally hoped. However, size is not everything.

The main need is for measures to introduce more confidence into the re-cycling mechanism and not for a large increase in official lending which could increase total reserves in an inflationary way. There is also a disagreement between those such as the Fund staff, who would like a 75 per cent. to 100 per cent. increase in quotas within the next couple of years, and those such as the Germans, who are reluctant to see anything very large. But so long as the Witteveen facility is agreed, in some form, the quota issue is not so urgent.

The key aspect of the Washington talks was, in fact, the agreement that the IMF would express views on the exchange rate policies of national governments. While the theoretical arguments in favour of clean floating will not stop governments from intervening in the market, it is at least desirable to have an international code of good behaviour. It will be easier to withstand protectionist pressures if governments not merely refrain from bad neighbour policies such as competitive devaluation, but are also seen to be so refraining in an international forum.

However, the subject is highly delicate. The Fund will get off to a better start if it sticks to simple objectives, such as trying to ensure that official intervention is confined to smoothing out market fluctuations, and avoids taking dogmatic positions on the correct future level of a country's exchange rate, as it has been said to be doing for the U.K. and Italy. The very possibility of such calculations is open to debate and the less the Fund staff gets out on a limb on such matters the better they will perform their essential role.

Escalating conflicts in the Horn of Africa

BY JAMES BUXTON

LAST week's expulsion of the U.S. military missions from Ethopia, followed by the suspension of American arms sales, confirms the dramatic realignment which is taking place in the Horn of Africa. After more than three decades of being firmly in the western camp Ethiopia is rapidly moving into the Soviet sphere of influence. Although other states in the region may be inclining towards the West, the uncertain future of the Horn of Africa, which guards the entrance to the Red Sea, is causing deep concern to Western policymakers.

Already the region is the scene of several escalating conflicts. In Eritrea, Ethiopia's Red Sea coastline, a long-running secessionist war against the Addis Ababa Government is coming to a climax with striking military successes by the guerillas and a furious war of words between Ethiopia and neighbouring Sudan. In the south-east of the region Somali-backed guerillas are penetrating deep into Ethiopian territory, adding to the provincial revolts which the Ethiopian authorities have to deal with. At the southern entrance to the Red Sea, Djibouti, a French possession, threatens to erupt into conflict when it becomes independent in June.

Though these conflicts have been simmering for decades they have reached their present level of intensity because of three factors: the weakness of Ethiopia after the 1974 revolution which overthrew the Emperor Haile Selassie; the Soviet Union's desire to expand in Africa and remain as close as possible to the Middle East where it has been steadily losing ground; and Saudi Arabia's wish to use the power its oil wealth has given it to increase its influence in the region.

Intensive pressure

The conservative Arab states, marshalled by Saudi Arabia and including Egypt, Sudan and Syria, want to create a band of Arab or Muslim states along the shores of the Red Sea and its approaches. Such an alignment would be broadly pro-western and would exclude both Soviet and Israeli influence from the coast.

On the other hand the Soviet Union wants to create a bloc of Marxist states at the entrance to the Red Sea. It already has close ties with Somalia and South Yemen; Ethiopia would complete the bloc and, with Eritrea, give the Soviets access to part of the Red Sea coastline itself. Ethiopia appears anxious to form part of such a grouping, and use Soviet arms supplies to shore up its internal position; but Somalia and South Yemen are coming under intensive Arab pressure to change their alignment, while Eritrea appears well on the way to secession from Ethiopia. In other words the Soviets may be too late.

Although Ethiopia's staunch pro-western alignment—recompensed by lavish arms supplies from the U.S.—began to look questionable after the deposition of the Emperor, it did not come into danger of collapse until February 3 this year. Then the second-in-command of the Government, Col. Mengistu Haile Mariam, overthrew the moderate members of the ruling council or Derg and took power himself. Significantly, congratulations poured in from the Soviet Union, Cuba and other East bloc countries.

Somalia's President Siad Barre (left), Col. Mengistu Haile Mariam, the Ethiopian strongman and Sudan's President Nimairi (right).

The U.S. Government announced shortly afterwards that because of human rights violations it would end its military aid programme for Ethiopia, worth about $6m. a year. Arms sales under the separate foreign military sales credit programme (worth at least $10m. a year) were not halted, but the 25-year-old defence agreement with the U.S. was due to expire formally next year, and the U.S. communications base at Kagnew near Asmara was already virtually closed: so the Derg had little to restrain it from following its political inclinations and move towards the East Bloc. A few weeks after Col. Mengistu came to power Cuban President Fidel Castro visited Addis Ababa, and last month the Soviet Union is reported to have supplied nearly three dozen tanks and other military equipment under an arms sales agreement which some reports say is worth $100m. It will presumably help compensate for last week's suspension (officially to allow for a review of the situation) of the remaining U.S. arms sales.

No country has been more alarmed by Ethiopia's rapid slide towards the Soviets than Somalia, Ethiopia's neighbour to the south. The Somalis turned to the Soviet Union for military and technical assistance in the mid-1960s because no other power was prepared to help them to achieve their long-term ambitions the creation of Greater Somalia by the unification under one flag of the Somali people living in the Ogaden district of Ethiopia, in north east Kenya, and in Djibouti. The Soviet Union helped Somalia build up a powerful army and air force in return for the use of naval facilities at the Somali port of Berbera on the Gulf of Aden.

The Soviet Union's entente with the Ethiopian regime raises for Somalia the spectre that its best ally has gone over to the side of its worst enemy, and that the trust which Somalia put in the Soviets to help it pursue its national goals has been misplaced. To allay these fears the Soviets apparently inspired President Castro to suggest at a highly secret meeting in Aden, South Yemen, with the Somali and Ethiopian leaders that the two countries should sink their territorial differences and remember their ideological affinities by merging into a Marxist confederation.

President Siad Barre of Somalia bluntly turned down the initiative, arguing that there could be no room for international solutions until Somalia's own national problems—the creation of Greater Somalia—had been solved. Somalia regards Ethiopia as an Empire, whether it is Marxist or not, and already weary of the Soviet presence, is in no mood to fall in with a Moscow-inspired compromise. The Government in the capital Mogadishu is aware that with half the Ethiopian army tied down in Eritrea and the other half weakened by low morale and purges, circumstances for a military attack by the well-equipped Somali army have rarely been better.

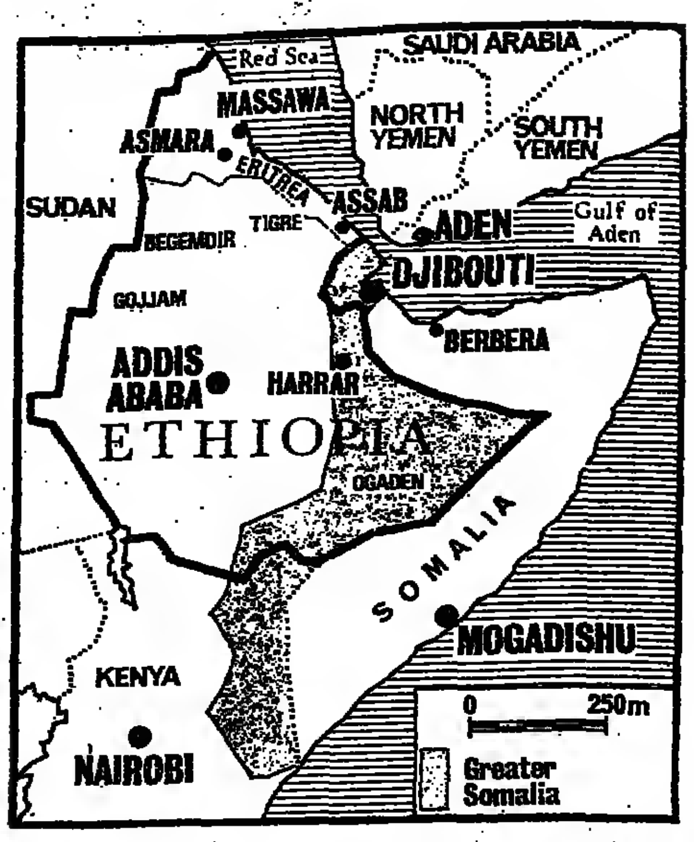
Zone of peace

About a week after the Aden meeting in mid-March Siad Barre went to another summit, this time at Taiz in North Yemen. It was convened by President Nimairi of Sudan to discuss regional security, and was also attended by the leaders of North and South Yemen. It ended with a declaration aimed at making the Red Sea a zone of peace. Arab states including Saudi Arabia and Kuwait have been offering considerably increased aid to Somalia to induce it to leave the Soviet orbit, and the summit was apparently held to explore the possibility of Somalia and South Yemen making the approaches to the Red Sea free of Soviet influence, and safeguard against Israeli influence in Ethiopia.

But it would be premature to see Somalia precipitately changing its allegiance: it depends for oil and military supplies on the Soviet Union and remains deeply suspicious of the West, from which it would have to obtain alternative arms supplies. It is a poor country and gaining the Ogaden region of Ethiopia will not make it any richer (unless it turns out to contain oil). But Somalia is now under intense pressure to decide which way to jump.

One practical reason for Somalia's caution in committing itself is the extreme uncertainty over the future of Djibouti, which becomes independent from France on June 27. The run-up to independence has been so fast that there is still considerable doubt over whom the French will hand power to. The majority of the 230,000-odd people in the territory are members of Somali clans but the port of Djibouti is of vital strategic importance to Ethiopia as the outlet of the railway to Addis Ababa. Neither Ethiopia nor Somalia claims the territory but each country naturally wants to see there a government favourable to its interests.

Though the election and referendum to be held in Djibouti next Sunday may do something to clarify the situation there is a considerable risk of racial violence and guerilla fighting between the rival groups. The best, if short-term, guarantee of Djibouti's stability after independence is that both the territory's neighbours, and the majority of the parties within it, appear to accept—admittedly reluctantly — that France should maintain a military presence after independence. The French forces would not constitute a foreign base but would be there solely to protect the territory's integrity and train a local militia. France has in addition apparently secured the



support of Saudi Arabia and North Yemen for this: the new Djibouti republic will be a Muslim state but most parties involved in the region are aware that closing the port to Ethiopia would constitute an intolerable provocation to Addis Ababa and economic suicide for the territory.

However, serious difficulties would arise, both with the French public and the States in the region, if the French force had to go into action, either against internal or external threats. It is not surprising that independence day, June 27, is awaited in the Horn of Africa with trepidation.

The future of Eritrea is hardly less murky. The guerilla forces there have in recent weeks reported the capture of a string of towns in a wide arc of territory between the Sudanese border and the Red Sea and are poised to make concerted attacks on the more densely populated uplands plateau where they have been operating clandestinely for several years.

The reason for their success is not just the ineffectiveness of the Ethiopian army's counter-insurgency tactics but the greatly increased support which the guerilla groups have been receiving from their Arab friends. In January this year President Nimairi ended his publicly proclaimed neutrality on the issue of Eritrean secession and the guerillas can now make more open use of their existing supply routes through Sudan. Some observers believe that the guerillas are now in a strong enough position to cut off supplies to the main towns —Asmara, Keren, Agordat and Massawa—still in the hands of the Government, and finally win at least de facto independence. This presents the possibility of 544 miles of Red Sea coastline falling into the hands of a *pro-Arab State*.

But although an Ethiopian counter-attack in Eritrea looks doomed to failure—particularly if it is conceived as it might well be on the lines of last year's ill-fated peasants' march, part of which was massacred by guerillas — the guerilla forces' position is not impregnable. The Eritrean Liberation Front (backed by Syria, Sudan and Saudi Arabia) is trying to reconcile its differences with the more left wing and less pro-Arab Eritrean Peoples Liberation Front, while a third force under a former EPLF leader is rapidly growing in strength. Even if the groups, which have been holding unification talks, succeed in overcoming their divisions sufficiently to achieve a military victory, the prospect of a civil war erupting on this crucial stretch of coastline after independence is not an attractive one to the conservative Arab states.

The Soviet Union appears to be gambling that at best it can extend its influence into Ethiopia without losing its position in Somalia; that at worst it will at least be able to help Ethiopia put down the revolt in Eritrea, in which case access to the Red Sea would be adequate compensation for the loss of Somalia, provided the Soviet foothold on the Indian Ocean at Aden remained intact. The future of all the components in the region is highly uncertain; but it would be a cruel irony if the Soviet attempt to become involved in Ethiopia, which has been going on for nearly 30 years, were to result in it presiding only over the land-locked rump of a decayed Empire.

MEN AND MATTERS

New man for Mogadishu?

One consequence of the increasingly complex situation in the strategically important Horn of Africa is that the Foreign Office is expected to send a new Ambassador to the Somali capital Mogadishu shortly. It is well over a year since the last Ambassador, John Shaw, left and there has been serious talk of closing the Embassy down altogether. In the meantime diplomatic business has been in the hands of a first secretary.

Politically the new Ambassador, whose name has yet to be announced, will no doubt spend much of his time following the development of Somalia's relations with the Soviet Union, which the Somali government considered a steadfast friend until it started making friendly noises to Somalia's traditional enemy, neighbouring Ethiopia. Now it is thought that Somalia, which already has trade and old links with the EEC and is anxious for funds from the more conservative oil-rich Arab states to its north, might be moving towards an alignment with the West.

This might help to make life a little less restrictive for our new man there. At present diplomats are not allowed to move more than 40 kms from the capital without permission, which they seldom get, and Somalis have to ask the security service for permission before speaking to diplomats. Hobbies like photography or bird watching are highly inadvisable if suspicion of espionage is to be avoided.

This is a lesson which a 20-year-old English girl, Jane Wright, and her three companions learnt to their cost when their yacht ran aground on the Somali coast last November. They have been in prison ever since.

No-one from the Embassy has been allowed to see Jane, although no charges have been preferred. At one stage, however, it looked as though they might be charged with espionage, apparently because cameras were found aboard the yacht and Jane's three companions had been living in South Africa.

Now, chances of their release appear to have improved and the Fleet Street grapevine has it that when Jane returns a national daily has acquired exclusive rights to her story.

Try next door

Lord Hayter, chairman of the Chubb lock and safe company, was remarkably frank about what he called the "anti-social aspect" of the security business over lunch at the Savoy to celebrate the first ever Design Council award for the company's line of safes.

"Half our business," he said, "consists of sending people next door," a remark which reflects potential burglars' healthy respect for the inviolability of the company's safes and the implicit invitation therefore to seek more vulnerable pastures.

But the story does not end here. One of Chubb's most prosperous European markets in recent years has been Italy, where the art of safe blowing has reached a fine art. Not only safe-blowing, however, as the real crime growth area has been in the field of hold-ups, before cash actually reaches the security of a safe, and kidnapping. Hayter's theory is that this trend is, at least partially, a result of advances made in the construction of safes and other security gadgets.

Neither cash nor valuables can always be kept in a safe deposit without drastically diminishing the value of possessing them in the first place. Nor is it practicable to lock one's relations, politicians, or executives in a safe. At some stage they have to enjoy the light of day—and it is at this point that they become vulnerable, hence the hold-ups and kidnaps.

Over a hundred years as a family of safe-makers, meanwhile, lies behind Hayter's reflections on the relationship between crime and "civilisation." Saudi Arabia, for example, which practices amputation of the hand for thieving, is not much of a growth area, he recognised.

But the figures which show a doubling of recorded break-ins in the U.K. over the past 10 years to 528,000 last year indicate the market potential in other areas. If it is any consolation more than 60 per cent. of Chubb's profits are now generated abroad while the Kuwait Investment Office is a major shareholder with 4.6m. shares, a 9.65 per cent. stake.

"I can just see the packet—'Contain their own oil, no cooking fat needed'."

Write it my way

The controversial editor of the Nairobi "Daily Nation," George Githii, has just resigned after accusing the Aga Khan, the newspaper's principal shareholder of interfering with his "editorial freedom and integrity."

The dispute arose over Githii's editorial handling of an internal dispute inside the large Bohra community in Kenya. As Shia Muslims they are closely allied to the Ismaili Muslims, of which the Aga Khan is spiritual head.

Githii supported young Bohra dissidents who are rebelling against, for instance, the strictly orthodox marriage and sex laws.

This stand offended the Aga Khan who prepared his own editorial on the subject, and Githii resigned rather than publish it, adding that he resented "innuendoes in the Aga Khan's essay that the Nation is irresponsible, indiscreet, uninformed, intolerant, unwise un-understanding."

Action, please

The print was hardly dry on last week's item about the delay in appointing what we termed "an all-star cast" for Harold Wilson's Interim Action Committee on the Film Industry before Edmund Dell's Department of Trade gave us cause to blush by announcing the full list. But we were delighted to see that our hot tips, Lady Falkender and Lord Bernard Delfont of EMI, are both included on it. We are now waiting with bated breath for the interim action.

Observer

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FINANCIAL TIMES SURVEY

Monday May 2 1977

World Banking

PART TWO: PART ONE APPEARED LAST MONDAY APRIL 25

Aid to the developing nations and the growth of commercial exchanges between West and East are two major areas involving the international financial community to an increasing degree. This section of our Survey reviews the course of these developments.

Pound forced to come to terms

By Peter Riddell

Economics Correspondent

BRITAIN WAS at last forced during 1976 to come to terms with the consequences for the pound of the combination of a much higher rate of inflation than abroad and of sterling's continued reserve currency role. The existence of substantial and volatile funds in London associated with the reserve currency role undoubtedly exacerbated the adjustment which would anyway have occurred to maintain the international competitiveness of the U.K. While the U.K. has now dealt with both these problems to some extent and there has been a turnround in the foreign exchange market so far in 1977, future policy towards sterling remains as controversial as ever.

A fall in the pound during 1976 was hardly surprising early last year in view of the fact that the rate of inflation in the U.K. had been running at roughly twice the average for countries in the Organisation of Economic Co-operation and Development during the second half of 1975, with a much larger gap in the previous 12 months. Sterling had been declining during 1975 but not by nearly enough to maintain the competitiveness of Britain's exports, and indeed the exchange rate had remained relatively stable during the winter of 1975-76.

The subsequent fall below $2.00 in early March to a low of $1.70 in early June in spite of sharp increases in interest rates and frequent and heavy official intervention can be blamed on a whole range of factors. But there is little doubt that the initial mishandling of the markets by the authorities, who appeared to be encouraging a fall in the rate, contributed significantly to the loss of confidence.

The problems were also compounded by the existence of official sterling balances of £4.1bn. in early January. These were largely built up by the oil producers from their vast surpluses during 1974 when Britain was willing to accept finance, however short-term and volatile, to finance the record current account deficit.

The official balances fell by £1.4bn. during 1976, with the largest drop between March and June. In addition, there were unexpectedly large leakages from the system because of the altered pattern of commercial payments on trade (known as leads and lags) and from other sources such as the use of sterling to finance third country trade. The combination of these influences together with a continuing large current account deficit—over £1.4bn. in 1976 as a whole—meant that the balance required from official financing was £3.63bn., more than in the previous two years combined.

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Checked

Of this, £1.6bn. came in the first half of the year and the downward pressure on sterling was only checked in early June when a $5.3bn. standby credit was arranged for six months with a group of leading central banks. The provision of this facility rested on the unwritten but clear assumption that Britain would put its house in order in the meantime. To some extent, the July package of spending cuts and the resulting borrowing requirement projection did temporarily revive confidence, and sterling remained around $1.77 from early June until the first week in September.

This always appeared a temporary position, both because of the six-month duration of the facility, with around $1bn. drawn by the end of June and in view of the low level of Britain's reserves. Consequently when pressure on the rate developed in September as a result of concern over the accelerating rate of monetary expansion, the authorities decided to allow the rate to float freely rather than use up all the standby facility supporting sterling.

The result was a sharp decline in the pound, only temporarily checked by a further sharp rise in interest rates. Sterling slipped below $1.70 on September 27, then fell to a low of $1.63 on the following day as selling became widespread. The Government was then left effectively without a shot in its locker apart from an approach to the International Monetary Fund for the remaining credit tranches under the U.K. entitlement. This duly occurred the next day.

Although sterling recovered a little in the next few weeks, aided by a rise in Minimum Lending Rate to a record 15 per cent., conditions remained highly nervous. This was highlighted at the end of October following a Press report claiming that the IMF considered the appropriate rate for sterling to be $1.50. This led to a fall of 5 cents to $1.59½, and later in the week suggestions of opposition to public expenditure cuts were followed by a further drop in the rate to $1.55½.

This proved to be the low point and a hesitant recovery then started, which gathered momentum as general expectations about a large-scale package increased, with reports also about a safety-net arrangement for the sterling balances. Action to tighten monetary controls was well received, so that by mid-December, on the eve of the economic statement, the pound has already risen to $1.69½. The statement disclosed further public spending cuts as well as ceilings for the borrowing requirement and monetary aggregates as a condition for the IMF loan.

The next major step in the revival of confidence came in early January with the provisional agreement at the meeting of central bank governors in Basle on a $3bn. safety-net facility for the sterling balances, coupled with British proposals to offer the official holders medium-term foreign currency bonds.

The Basle agreement has removed one of the major threats to the pound's stability, though, arguably, much too late. After all, the official sterling balances had already fallen from a peak of £4.86bn. in early 1975 to £2.64bn. at the end of last year. After deducting £436m. from this for holdings by international organisations, around half the remaining £2.2bn. last December was accounted for by what were effectively working balances for payments of various kinds.

The offer of foreign currency bonds, in four currencies repayable over between five and ten years, attracted about £395m. from 15 countries. In addition, undertakings have been given by the major official holders that they will either reduce their remaining balances in an orderly fashion or convert their holdings into longer-term investments such as equities or property. This is to allay overseas concern that the balances might be allowed to build again, as in 1974. The poss threat from this highly vola element has been reduced anyway, protection in a c will be given by the safety facility.

Turnround

The Basle agreement was towed by a rise in sterling peak of $1.72¾ and the rate remained within a cent or s this level ever since. There been a major turnround in flows of capital during period and indeed the Bank England has only been abl hold the rate at its present l by frequent and substan sales of sterling, which has b reflected in large rises in official reserves, and there also been the first drawing the IMF loan and $1bn. us the $1.5bn. Euromarket l There has been an underly inflow of $3.75bn. since e December, when sentiment the foreign exchange market gan to improve (even bef taking account of the A figures, due to be announ to-morrow).

This mainly reflects the pact of the unwinding of leads and lags and of the flow resulting from the cha in exchange controls on the of sterling to finance th country trade, alone amount to approaching £1bn. These tors, probably now coming to end, account for much more the rise in the reserves than build-up in so-called hot mo deposits. Reports of foreign b

CONTINUED ON PAGE XL

Continuing strength under Carter

IT ALL looked rather different last December when Mr. Jimmy Carter, the newly-elected President of the U.S., held a series of meetings with key economic advisers about the best ways of stimulating what seemed to be an obstinately sluggish economy. All the major indicators were flat, consumer and investor confidence were low and unemployment had climbed to the unacceptably high level of 8 per cent. The only indicator that seemed encouraging was inflation which, helped by a year of low food prices and good harvests, seemed to have stabilised and to be showing signs of going down.

It was thus not surprising that the President's economic team came up with a $31bn. stimulus package designed above all to inject new purchasing power and confidence into the economy in the short term and to begin to do something about unemployment in the longer term. At the time it was considered to be a modest but basically correct approach to the problem.

Evidence

Four months later, however, there is a good deal of evidence that the problem itself has changed. While Congress was still arguing about the merits of the rebate the statistics began to indicate strongly that events were overtaking the package. Despite an unusually severe winter which produced much dislocation in the North East and Mid-West the preliminary GNP figures show that the economy grew at a very healthy 5.2 per cent. in real terms in the first three months of this year.

Indeed, that figure would have been nearer 6.5 per cent. but for the harsh winter. That is comfortably above the Administration's projections being made before the weather intervened. New housing starts, retail sales and all the other indicators except the stock market have been similarly encouraging.

But as the indicators at last showed the upturn that economists have been expecting, the wholesale and consumer price indices also began to move upwards rapidly. This was partly because of the effect of the weather on food prices—this may be expected to continue because the Californian drought shows no signs of ending—and also because of a largely unexpected and not adequately explained rise in basic industrial commodity prices.

The very latest consumer price figures show a moderation in the increase and most economists see no serious prospect of a return to the much dreaded double digit inflation of previous years. Nevertheless, in its latest forecast the Office of Management and the Budget is now predicting an overall inflation rate for the year of about 6.7 per cent. as opposed to the 5.4 per cent. it was foreseeing some months ago.

In any event the inflation figures and the rebound in the statistics persuaded President Carter and the more cautious of his economic advisers to drop the rebate—a $11bn. tax rebate would have given each citizen $50 refund—because it was no longer needed to revive an economy which now almost shows signs of reviving too fast.

Thus, in a move which took the financial community and the foreign exchange markets by surprise, the rebate was summarily withdrawn earlier this month. The financial and business community reacted favourably to this at first, but though they are clearly pleased at Mr. Carter's recognition of the dangers of inflation it remains to be seen if they will translate this enthusiasm into new investment.

The Administration recognises that new investment plans, although more ambitious than last year, are still much less ambitious than it would like, but there may be very little that it can do in a practical way to encourage investment. The President's new energy proposals will have done nothing to ease the vague feeling of apprehension about the future which still seems to linger on Wall Street and in many boardrooms.

Reassure

The Carter Administration can fairly claim to have bent over backwards to reassure business, indeed, it is being criticised by the unions and others for having made too many concessions to industry. With all, however, it is inflation that continues to concern industry and beside it for the moment everything else, however encouraging, has to take second place.

The dollar has reacted with equanimity to all this and its continuing strength reflects the fact that American inflation seems much less serious in relation to that in other countries like Britain, France or Italy. Indeed, the basic strength of the economy has been a major reason for the surge of new European and Japanese investment in the U.S. over the past two or three years.

But the American Government has not been the only one to be concerned about inflation. The German Government has for the past three months steadfastly resisted American pressure—public and private—to reflate further, arguing that the German economy cannot be further stimulated without once again rekindling the fires of inflation.

The Americans have been putting similar pressure on the Japanese and in the past few weeks the Tokyo authorities have been allowing the yen to appreciate against the dollar, thus practically meeting the American objection that the Japanese exchange rate was effectively being manipulated to preserve Japanese competitiveness.

But the Germans held fast and were no doubt gratified, if a little taken aback, by the abrupt way in which ten days ago President Carter suddenly appeared to accept the validity of their case and dropped his own stimulus package lest it did to the American economy what the Germans said a similar package would do to their own.

Next month's summit in London will no doubt spend some time discussing the health of the American economy, but Herr Helmut Schmidt, the German Chancellor, will no doubt not try to hide his satisfaction that the Carter Administration has, for the moment anyway, bought the German view.

But American pressure on Germany and Japan both to reflate and to allow their currencies to rise has a wider implication. The Carter Administration has not abandoned its interest in finding ways to make sure that exchange rates are not manipulated by countries in economic difficulties to win important advantages.

The Administration believes that while it allows the dollar to move really freely and would not try to intervene in the market, this is not the case with other currencies, both strong and weak. It is thus likely to throw its full weight behind the International Monetary Fund's attempt to assume a new role as a sort of foreign exchange policeman, able to spot attempts to "swing" the rate and to intervene to stop them.

How effective the IMF can be—or will be able to be—in this new role remains to be seen, although it can be said with confidence that its overall influence in the world economy is definitely going to be strengthened in the coming years.

Persistent

For the dollar, and the U.S., the next few months will give some answers to the persistent question about the U.S. economy. The Carter economic team is searching for steady, if unspectacular, non-inflationary growth. It is a target that eluded the previous Administration and there can be no certainty that Mr. Carter is going to fare all that much better.

"This is a very uncertain year and not just for our economy, and many of the old assumptions can no longer be entirely trusted. Above all we just have no way at the moment of knowing how consumers and industrial investors are going to respond month by month. It is all too volatile for confident forecast," said one Carter economic adviser, "and for the moment it is right that he should have the last word."

David Bell
Washington Correspondent

DEVELOPING COUNTRIES

A growing issue on the world stage

TEN DAYS AGO Mr. Shridath Ramphal, the Commonwealth Secretary-General, delivered a strong warning that relations between the world's rich and poor nations were moving back to "angry confrontation." The main point of his statement to the Joint Economic Committee of the U.S. Congress was that little or no progress had been made towards reforming the international economic order despite the commitment to change accepted by the industrialised countries at the Seventh Special Session of the United Nations 18 months ago. If such a fruitless dialogue were taking place between rich and poor inside a Western society "there would be no lack of awareness that such persistent frustration and deepening despair among a deprived majority was not consistent with national survival on any tolerable basis," Mr. Ramphal concluded.

Fairer

The comparison is one that is increasingly being made in development circles these days. Many people now see the struggle for a fairer distribution of wealth *between* nations as the major world issue of the last part of this century, in just the same way as the reallocation of wealth *inside* nations has dominated political debate in the industrialised countries for the last hundred years. The formation of OPEC and the so far unsuccessful attempt to extend similar techniques to other producers' associations are viewed as the equivalent of the first stirrings of the trade union movement in 19th century Britain.

The plight of most of the Third World should be well enough known by now, but a few facts bear repeating. Figures Mr. Ramphal submitted to Congress showed that in the 20 years between 1965 and 1985 annual incomes per head in the poorest group of countries would increase by $50, compared with an increase of $3,900 per caput for those of the richest, who were already, in 1965, 3,000 per cent. better off. By 1985 the gap would have widened to 4,500 per cent.

A recent report on Re-shaping the International Order for the Club of Rome pointed out that two-thirds of mankind to-day live on less than 30 U.S. cents a day, about 1bn. are illiterate and nearly 70 per cent. of the children in the Third World are suffering from malnutrition. The industrialised countries are consuming about 20 times more of the world's resources per head than the poor countries. About 40 per cent. of the labour force in the developing countries is now effectively unemployed, a labour force that will swell by a further 1bn. by the end of the century.

The desperate economic situation of the poorest countries dates from long before the energy crisis. President Nyerere of Tanzania has pointed out that he needed to sell 17.25 tons of sisal to buy a tractor in 1965; by 1972 he needed to sell 42 tons. Even in the commodity boom of 1974 the same tractor still accounted for 57 per cent. more sisal than nine years previously, and since then the sisal price has fallen and the tractor price has gone up again. It is hard facts like these that lie behind the developing countries' demands for the indexation of raw material prices to the price of manufactured imports.

But the oil crisis significantly added to the developing countries' difficulties. According to American figures, the aggregate balance of payments deficit of the non-oil producing developing countries, which amounted to only $11bn. in 1973, jumped to $30bn. in 1974 and reached $38bn. in 1975. Last year the deficit appears to have declined to about $28bn.—thanks mainly to increased prices for some commodities, gains in export volume, import restrictions and other balance of payments adjustment measures, and a levelling off of import prices. Nevertheless, estimates using World Bank projections suggest that the figure could rise to $50bn. by 1985, even allowing for an increase in real per caput income of only $3 a year.

The scale of borrowing required to finance the deficit has pushed the total indebtedness of the non-oil developing countries to over $180bn., much of it relatively short term. Debt service payments last year were about $21bn., an increase of around 75 per cent. since 1973. Over the past two years about one-half of the credit has come from the private market, as a result of which an estimated 40 per cent. of the total outstanding debt of the non-oil countries is now due to commercial banks. The growing concern which this is causing in banking and Government circles is one factor behind the latest moves to increase the resources of the IMF through a further quota increase and the $18bn. recycling facility proposed by Mr. Johannes Witteveen, the Fund's managing director.

Quota

But there is little chance that the industrialised countries will agree to quota increases on the scale that the developing countries are demanding. The Commonwealth Secretariat, for example, has said that quotas should in due course be restored to the same proportion of world trade (15 per cent.) as they accounted for when the Fund was originally set up, compared with the current level of only 4 per cent. At the same time, the developing countries would like a new selective issue of Special Drawing Rights, based on the needs of countries rather than their quotas—a proposal which has little support from the major industrialised countries apart from Italy.

A more general disagreement is over the conditional nature of IMF lending. While the industrialised countries see an expansion of the Fund's activities as a useful way of imposing economic policy conditions on the deficit countries, thus making them more attractive candidates for commercial borrowing, many developing countries dislike the way the Fund currently works precisely because of the restrictive conditions it imposes. The Fund's conditions, they argue, may actually slow down development —in the sense of satisfying the basic needs of their populations in a reasonable period of time.

But it is not just additional finance that the developing countries are seeking. They believe their problems will never be solved under the current rules of the international economic and monetary system. For them, the New International Economic Order means changing the rules so that their interests are in future automatically protected. They are no longer prepared to rely on the goodwill of the richer countries for their development.

In UNCTAD and in the Paris-based Conference on International Economic Co-operation (CIEC), now moving into its final phases, the developing countries are pressing for the rules to be changed in three main fields—debt relief, commodity trade and the whole area of their industrialisation. They want new codes of behaviour to cover the transfer of technology from rich to poor countries and control the operations of transnational companies. They want free access to the markets of the industrialised countries, and encouragement to process more of their raw materials in their own territory. They want a much greater say in the international organisations such as the IMF, the World Bank and GATT, which run the world's economy.

For the developing countries the two key test cases of the industrialised countries' willingness to work towards the new order will be new arrangements for debt relief and integrated programme for commodities on which negotiations have now started in Geneva. Negotiations on the commodities programme, of which the proposed new Common Fund is intended to be the centre-piece, will continue later in the year. The debt issue will come to a head at the end of this month at the Ministerial meeting in Paris that is intended to wind up the CIEC. The developing countries will regard the conference as a failure unless some steps are agreed to make more automatic provisions for debt relief before a country reaches the verge of bankruptcy.

The industrialised countries, while still insisting that debt must be treated on a "case-by-case" basis, have made some effort to agree to new procedures for examining the problems of those most in need. But they have consistently rejected the second demand of the developing countries, which is for immediate action to alleviate the problems of the poorest through a widescale debt moratorium or rescheduling.

The industrialised countries point out, quite correctly, that a large number of middle income developing countries, heavily dependent on commercial bank lending, would regard any such "generalised" solution as a major blow to their creditworthiness. But the developing countries are unlikely to be satisfied with the alternative that the industrialised countries are currently considering, which is an offer of extra funds to be channelled through the International Development Association, without any specific reference to the debt problem.

Indicators

The conclusion of the CIEC and the second Common Fund negotiating conference in the autumn will thus provide key indicators of the current state of North-South relations. The developing countries are aware that they have few cards in their hands if deadlock persists. But each setback in the dialogue strengthens the hand of the more militant nations, which would prefer a return to the atmosphere of confrontation of which Mr. Ramphal and others have been warning. As Mr. Ramphal pointed out in Washington, "If international dialogue is to continue, it needs to be sustained by results, however modest, and by resulting action. It cannot subsist as a process by which despair is piled upon frustration." He should soon know if he has got his message across.

Reginald Dale

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PROJECT FINANCE

Ekofisk points up the risks

"One can reasonably query whether future project financings may not carry substantially greater risk than has been fully appreciated," Charles Williams, Professor of Commercial Banking, Harvard Business School.

THE SIGHT of thousands of tons of crude oil pouring daily into the North Sea from the stricken Ekofisk Bravo platform following a "blow-out" will have come as a nasty shock to many bankers. Until now such an event had occurred only as part of some hypothetical computer programme used to assess the feasibility of financing a North Sea oil field. But now the bankers' worst fears have been confirmed.

The accident is a "fact" and no doubt many of those involved in the Ekofisk financings will have been shaking the dust off their weighty loan agreements to see if they are in any way at risk. Who picks up the hill if the European coastline suffers massive pollution? With production of the entire Ekofisk field closed down, who guarantees the "throughput" agreement on the pipelines? Will stringent new operating rules be introduced jeopardising the economics of the project? The questions are endless, and the accident has highlighted once again the grim fact that project lending can be a far riskier business than first anticipated.

When BP raised its huge project loan for the Forties field financing a few years ago, some of the clearing banks were reluctant to participate. They argued that it was not their business to put up risk capital, and, as a result, were roundly criticised for dragging their heels. But some banks may now be wishing that they had been more cautious in their commitment to North Sea financing. Conditions in the North Sea are probably the most hostile in the world and the oil companies argue that they are constantly climbing a "learning curve." The same goes for the banks. No matter how many precautions are taken, the unexpected can, and does, happen in the North Sea and the repercussions can rarely be fully anticipated. A computer probability analysis by the boffins in the project finance department can never be a proper substitute for experience.

Untried

Th North Sea is unique because the operators are having to use untried technology in conditions which have no equal which makes forecasting dangerous and results in risks which are so huge that some of them are uninsurable. Houston and Dallas banks, for example, are expert at making project loans to the Texas oil industry since the operating conditions have been tried and tested over fifty years but in the North Sea there are few established *yardsticks*. The banks have to make up their own rules as they go along, and it would be remarkable if mistakes were not made.

The same goes for the nuclear power industry which will consume considerable sums of money over the next decade as the leading industrial countries try to reduce their dependence on fossil fuels. The unexpected can happen, thereby undermining the operating economics of even the most carefully costed project financing.

As more and more countries start developing their nuclear power industries standards of official regulation and control are bound to vary. Country A may be more lax than country B in protecting against contamination, but if country A has a nuclear "accident," country B may well be polluted. A backlash might develop resulting in much tighter operating standards worldwide which could effectively destroy a project's cash flow forecasts.

On a more mundane level a number of other factors can undermine a project's viability. Fluctuating raw material prices have a profound impact. As long as the OPEC countries keep up the price of oil, the economics of developing the North Slope of Alaska look sound. But if, for example, OPEC was to cut the world oil price sharply, the high production costs in Alaska might render the project unviable.

Then again there is the problem of Government interference and bureaucratic controls. Producing Alaskan oil makes much more sense if the oil companies are allowed to export some of the expected crude glut from the West Coast to Japan which desperately needs an assured fuel supply. However, the U.S. Congress look like banning exports to Japan and insisting that the surplus is shipped through the Panama Canal to the East Coast.

Delays in the amortisation period are another common risk in project financing. A hole in a pipeline at the bottom of the North Sea may take months to repair while a drunken skipper might bump his ship into a North Sea production platform in the night, putting it out of service.

In France and Germany the nuclear power industry is coming under increasing attack from environmental lobby groups. Construction schedules are being delayed while the courts listen to lengthy petitions and mass demonstrations by angry local residents who in some cases are hindering the actual construction of nuclear plants.

All this can have worrying implications for the banks financing a project. Payback periods may have to be lengthened and the additional interest costs may make the project less attractive. As many projects are financed on a floating rate basis, an increase in interest rates can cause additional problems. A sharp rise in American rates three years ago, for example, was a contributory factor behind the spate of bankruptcies among real estate developers.

As might be expected there are considerable differences of opinion about what constitutes a viable project financing proposal, depending on whether one is a borrower or a lender. For the corporate treasurer a project financing is very attractive so long as it does not have much impact on the balance sheet. What better way to expand than by structuring an imaginative, self-supporting financial package which is not dependent on a company's credit.

Boards of directors are very receptive to projects which can be financed on their own merits. Ideally they would like a loan where there is no recourse to the parent company (the purest type of project finance). But as this is normally not available they are not too bothered by a footnote in the balance sheet, so long as it does not impair their general credit rating.

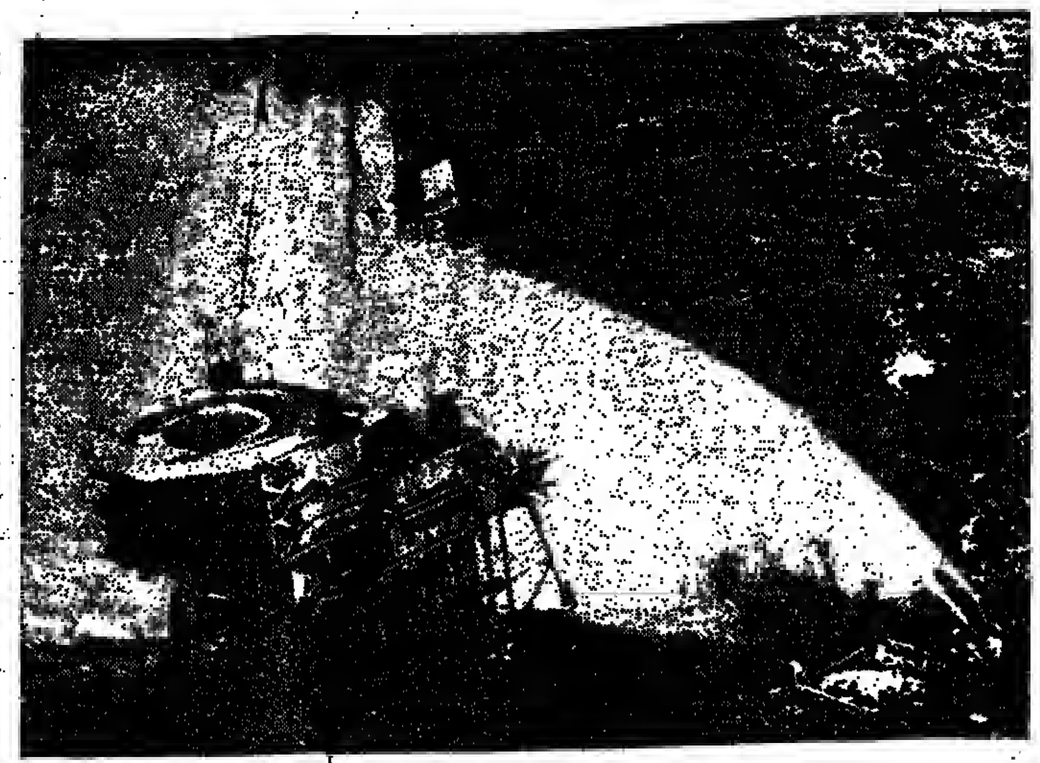
The banks on the other hand have different ideas. They are essentially lenders. Very few of them are prepared to take equity risks and they want to be sure that they are going to be repaid. Consequently the key objective in any proposed project is to so structure the financing with as little recourse as possible to the sponsor while at the same time providing sufficient credit support through indirect guarantees or "undertakings" by the sponsor that the banks will be satisfied with the credit risk.

Credit

In practice a number of conditions have to be met if a project is going to be successfully financed. First the project must have a strong credit backing somewhere in the package. This may take the form of direct or indirect guarantees, take-or-pay contracts, etc. Thus an oil company may raise finance for a pipeline so long as it guarantees to pay the charges even if no oil is flowing through the line. A coppermine may be able to be financed if a major consumer agrees to buy all the output at a fixed price over a long period. There are numerous permutations but the banks always want to ensure that somewhere within the package there is a strong partner backing the credit.

The banks are averse to taking equity risks (or what they perceive to be equity risks) so they like to assess a project on traditional credit criteria. Thus a project has far more chance of getting off the ground if it does not involve new technology—this does not constitute a normal credit risk and should be covered by equity capital. In addition a project sponsor has to be able to demonstrate sufficient operating expertise. It is no use asking a newspaper company to operate a production platform in the North Sea.

Finally, a banker is much more willing to finance a project if it has some value as collateral. Banks were very happy to finance ships (a very common form of project financing) as long as the ships could be seen to have a resale value considerably in excess of the value of the loan. Even if the ship sunk, the bank could collect the insurance money. Property financing is another type of project financing. If the worst came to the worst the property could always be sold and the loan repaid.



Fire-fighting vessel plays water on the Bravo platform in the Ekofisk North Sea oilfield where a blow-out occurred last week.

The value of a reservoir of North Sea oil is more debatable and this explains why banks have not been prepared to follow the Texan example and offer full non-recourse loans. In Texas, oil reservoirs can be bought and sold with little difficulty. Their value can be easily ascertained and an oil bank is happy about the accuracy of the worth of the loan collateral. However, in the North Sea, companies are not allowed to own the oil in the ground and even if they could, its value might be suspect because it is far more difficult and costly to evaluate oil reserves *under the sea* than on dry land.

For these reasons the term project finance means many things to many people. Some bankers describe any loan for a specific project as a "project financing" even if it has the full credit backing of the sponsor. At the other extreme are the "purists" who refuse to refer to a project financing unless it is a "non-recourse" loan. Midway between the two are the bulk of bankers who consider a project financing as a loan where they look *principally* to the project itself for security and repayment.

The key word here is "principally" and there is a considerable amount of horse-trading between the banks and their clients, before an acceptable package can be produced. There are no hard and fast rules and one fears that only the lawyers know the true worth of such items as a contingent liability, indirect liability, deferred liability and a deferred expense. In the event of default words such as "materiality" (whatever that might be) become all important. In the world of project finance the old adage "my word is my bond" disappeered out of the window a long time ago.

William Hall

EUROMARKETS

Record activity

FOR THE Euromarkets 1976 was a year of record activity while events so far this year, together with such forecasts as are available *suggest* that demand at least will be as high this year, though somewhat different in country distribution.

Though tha projections for 1977 in the table only show figures for medium-term syndicated lending, the international bond market (with the exception of the New York sector) is well set to outdo last year's records by a substantial margin, particularly since the expectation of an early turn in the interest rate cycle has been confounded.

The vast increase in the volume of new business being arranged, has been accompanied by an improvement in the terms borrowers have been able to get both in the medium-term bank loan sector and in the international bond market. The OECD analysis published in the April 4 edition of the International Monetary Fund's bi-monthly Survey shows spreads on prime quality credits 125 basis points over London inter-bank offered rate (LIBOR) in 1974 and 1975 but down to 85-100 basis points at the end of last year. Effective margins (spreads adjusted to take account of main front-end fees) are down from 150 basis points in 1974 and 1975 to 100-115 at the end *of last year*.

Both the average size of loans and the average maturity have been rising since they reached their low points in mid-1975—according to the OECD analysis: size is up from \$35m. in the first quarter of 1975 to over \$80m. in the last quarter of last year, and average maturity is up from five to six years.

The story has been the same in the international bond market. According to the Inter-Bond Services analysis, the volume of new issues last year was \$15.2bn. up from \$8.3bn. in 1975, itself a record by a large margin.

The average size of issues has crept up from just over \$30m. in the second half of 1975 to \$40m.-\$50m. last year. Average yield fell from 9.45 per cent. in the last quarter of 1975 to 8.53 per cent. a year later; the lowest yield is down from 9 to 7.75 per cent. Average maturity of new issues is up from 5.5 years in the third quarter of 1975 to 9.3 years in the third quarter of last year (8.4 years in the last quarter) while the longest maturity recorded on any issue has risen from 10 years to 15 years.

Trends such as these have been seen before; in the case of bond market and in the medium-in the medium-term bank lending *sector in 1973-74. On that* occasion, the boom both in the bond market and in the medium term lending sector ended in something perilously close to bust; a major question exercising the minds of the international investment and commercial banking community now is the extent to which the current even bigger boom could end the same way.

One must say at the start that although the amounts of money involved are larger this time round, in the banking sector at least the competition between banks has not led them to cut

TOTAL BONDS AND CREDITS

Foreign and international bond issues and publicised Eurocurrency credits
($USbn.)

	1975	1976*	1976 I	1976 II	1976 III	1976 IV
Total	42.7	61.9	16.1	14.1	13.9	17.8
Industrial countries	20.5	30.5	8.9	7.1	7.1	7.4
Developing countries	13.5	19.7	3.1	3.9	4.6	8.1
Oil exporters	3.3	4.4	0.7	1.1	0.5	2.1
Others	10.2	15.3	2.4	2.8	4.1	6.0
Other borrowers	8.7	11.7	4.1	3.1	2.2	2.3
Centrally planned economies and organisations	2.3	2.5	0.3	1.1	0.5	0.6
International organisations	5.7	8.0	2.8	1.9	1.6	1.7
Unallocated	0.7	1.1	0.9	0.1	0.1	—

* The data for 1976 are preliminary and are likely to be increased by the addition of transactions about which information is only now becoming available. Source: World Bank.

CONTINUED ON NEXT PAGE

EUROCURRENCY BANK CREDITS

Publicly announced in period—$m.

	1976	4th qtr. 1976	1st qtr. 1977
Industrial countries	10,918	2,290	3,925
Spain	1,877	268	75
U.K.	1,671	570	1,600
Canada	885	215	—
U.S.	677*	30	242
Denmark	607	400	168
France	587	—	600
South Africa	570	110	—
Norway	473	145	38
Ireland	434	—	40
Germany	372	—	—
Italy	355	35	30
Sweden	325	161	1,000
Japan	325	49	21
Greece	323	125	94
Finland	300	—	—
Other	1,037	182	17
Non-OPEC developing countries	11,349	4,216	2,234
Brazil	3,138	1,295	603
Mexico	1,963	812	370
Argentina	973	373	56
Philippines	970	69	125
South Korea	834	409	320
Morocco	631	275	—
Peru	395	330	22
Egypt	358	258	—
Taiwan	320	50	144
Malaysia	307	—	164
Other	1,620	245	430
OPEC countries	3,394	970	2,299
Iran	1,400	500	320
Venezuela	1,185	138	1,200
Algeria	583	15	200
Indonesia	461	215	—
Other	265	102	579
Communist countries	2,503	522	212
Poland	525	109	—
Hungary	300	150	—
USSR	282	—	—
Bulgaria	240	—	—
Other	1,156	263	212
TOTAL	28,664	7,998	8,670

* Includes $285m. for Puerto Rico.
Source: Morgan Guaranty Trust Company.

Concern about debt servicing

BANKERS have been fretting for months now about whether certain less developed countries would be able to pay their debts; some LDCs have had their debt thoroughly reconstructed in recent months (Argentina and Zaire) but a face-lift does not rule out further sagging at a later stage. The eventual financial collapse of a country like Zaire could be absorbed without endangering any single one of the 98 banks involved in loans to that country. The psychological effect of such an outcome would be more damaging however, to the confidence both investors and the public have in these banks. It is also feared by some bankers that other LDCs facing difficulties could decide to default. The dangers of such attitudes spreading need no elaboration.

Such fears continue to haunt bankers but there are balancing forces at work in LDC financing which suggest that while some countries—as indeed companies—will always be accident prone, the capacity of both commercial banks and international organisations to financing forthcoming needs exists and will not cause any particular strain.

Analysis

The Amex Bank Review recently put forward four possible scenarios on LDC financing in 1977 focusing its analysis on the interplay of the willingness of the banks to finance non-oil LDCs and the rate of economic growth in OECD countries.

If OECD countries grow slowly and incur a non-oil current account deficit of $26½bn. as forecast by the OECD Secretariat then commercial banks should continue to make loans to non-oil LDCs (after repayments and interest) amounting to a figure of between $7-8bn. and direct investment worth $6bn. So the banks would have more LDC paper but this does not imply any debt crunch this year.

The second scenario is based on a higher than expected growth rate in the U.S. (5½ per cent.) triggering off a faster rate in OECD countries (4½ per cent.) which would increase the demand for LDC raw materials and push the price of commodities up. Such an outcome would reduce the current account deficit of LDCs and their reserves would increase, which in turn would result in lower margins over Libor for non-oil LDCs and less lending by the banks. Such an outcome is feared by many: witness the recent surge upwards in the price of gold.

OECD growth is well beyond 4 per cent. but banks remain unwilling to lend further to LDCs because they wish to reduce such paper in their portfolio: this fourth possible outcome would lead to lesser non-oil deficit LDCs current account deficits and restricted economic growth. The fourth possibility could lead to a cumulative downward trend: Slow OECD growth coupled with little lending to LDCs which would cut back these countries' current account deficits but also force them to cut back on imports from OECD countries thus hitting the latter's exports. The very cautious policies at present being carried out by OECD countries would appear to rule out the second scenario and scenario four appears equally implausible.

Banks' willingness to lend to LDCs is very much influenced by the level of loan demand in industrial countries and while increased demand here would reduce the amount of funds which could be lent to LDCs it would also lead to lower current account deficits in non-oil LDCs and thus to less need for borrowing on their part. This implies a three-way trade-off between real activity in OECD countries, loan demand and current account deficits in non-oil LDCs.

In effect this suggests that one should look much more closely at the exports of the six major non-oil LDCs who taken together account for 73 per cent. (or $47bn.) of the loans made by commercial banks of the Group of Ten plus Switzerland and those seven countries which determine the rate at which OECD economies overall grow. Although these six non-oil LDCs (Argentina, Brazil, S. Korea, Mexico, Peru and the Philippines) are heterogenous in many respects they do have features in common.

They each have built up import substitution export orientated industries, are dependant on one commodity for main export earnings, on imported technology to help equip their burgeoning manufacturing sector and are looking to export outside the markets offered by other LDCs. The sensitivity of their export performance to the rate of economic growth and inflation in the leading OECD countries is clear.

It is calculated that a 1 per cent. increase in the exports of these OECD countries will result in a 2 per cent. growth rate of export for the six non-oil LDCs. This relationship can be translated in calculating GNP growth rates and export earnings increases in both groups of countries.

The debt problems of many of these countries is not worth looking at in a void and one can only agree with the conclusion of this analysis: this problem of international economic imbalance can only be reduced over a period of years. "The realistic method is by investment in profitable enterprise with the ability to generate foreign exchange through exports. This ability in turn depends on allowing resources to be efficiently allocated internationally and keeping export markets for the non-oil LDCs open in the OECD countries and OPEC."

Looking at recent figures of lending in the Eurocurrency market and international markets one can remark that the volume of lending in the first quarter of 1977 is roughly equal to that of the last quarter of 1976. Several shifts are noticeable however.

The volume of bonds is down, however, over the period due to a fall-off in new issues from U.S. and Canadian borrowers. International borrowers have not been to the fore either. Non-oil LDCs and Comecon borrowers are the great absentees on the medium-term market, with OPEC and industrial countries (vide the jumbo loans to Venezuela, Sweden and the U.K.) taking over. Industrial countries accounted for 45 per cent. of these borrowings in the first quarter compared with 35 per cent. in the fourth of 1976 and over the same period the OPEC country share doubled to 27 per cent.

Forward

The fall in non-oil LDCs' borrowing is explained by the sharp reduction in their aggregate current account deficit between 1975 and 1976 from about $40bn. to about $30bn. At the same time the surge forward in the price of some commodities such as tea, coffee and cocoa will improve their current account balances. Their financial requirements will thus be less this year than last. The fall in Comecon borrowing reflects both the increasing selectivity of lenders, difficulties concerning the legal status of Comecon institutions under English law as exemplified by the non-consummation of the $500m. IBEC loan last January and the size of Eastern countries' debt which may be less worrying than some suggest. Sound analysis here is not helped by the absence of economic data.

The permanence of the balance of payments problems of LDCs is, however, worrying a number of Western Finance Ministers who now appear to be aware that the surplus accumulated by oil-producing countries is not going to go away even if in the future it is limited to very few countries. The current account deficit of the non-oil-producing countries was being officially discussed in Washington last week-end and various proposals were being put forward to attempt to ease the problem.

The commercial banks have done a good job so far but they cannot continue doing so and furthermore the rate of interest at which they lend precludes some of those countries which need cash most from tapping the international financial markets. One suggestion is to increase the quotas of the IMF and the U.K. and Italian episodes have emphasised how much the IMF stepping in can help boost a given country's credit rating. The IMF can impose conditions which the commercial banks cannot, even if in some cases one is left wondering whether the policies imposed are more than short-term.

Maybe the Ministers will agree to an all-round increase in the quotas. Another proposal has been canvassed in particular by the managing director of the fund, Dr. Johannes Witteveen. However, those surplus countries which would be called upon to contribute most, such as West Germany and Japan, do not seem overkeen to come up with funds. Saudi Arabia in particular has reservations and has so far refused to confirm whether it will join in. Giving the Saudis a seat on the Board may win them over but it is clear the difficulties the world is going to face over the next few years will require some more radical surgery. Maybe this will come from the North-South dialogue, maybe through some other means.

It may be foolish to dramatise the "spectre of default" but it would be unforgivably complacent to sit back and wait for a major accident to occur before getting down to the nuts and bolts of the problems confronting the financing of developing countries.

Francis Ghilès

EUROMARKETS

CONTINUED FROM PREVIOUS PAGE

their charges nearly as much this time as last. In 1974 the margins over LIBOR for a prime borrower went as low as three-eights or a quarter of a point; so far, margins for medium term loans to prime borrowers are down only to ¾ per cent. (though some banks are said to be lending for periods of less than a year for substantially less than this).

Some of the biggest U.S. banks are making a stand at 1 per cent. and have not participated in loans with spreads lower than this. Having been caught once—in what was effectively the first ever cycle in this market—some banks are taking the stand that they would do better staying liquid at a small relative loss at present in order to conserve their lending capacity for the time when everyone else is short and they can charge considerably higher rates.

Maturities are also being kept shorter—in the last cycle, banks were making loans which would not finally mature for 15 years, compared to under ten years so far this time.

A further factor on the positive side is that considerable experience has now been gained in this market—many of its weaknesses were exposed in 1974. It is difficult to believe that banks will let their capital ratios go so low again that they effectively have to stop lending for a few months in order to keep them at satisfactory levels.

MEDIUM-TERM EUROCREDITS
($USbn.)

	1976 actual	Estimates of demand in 1977*
Total	27.4	28 -30
Developed countries	11.3	13 -14
Public sector	6.8	9 -10
Corporations	4.5	4 - 5
Eastern Europe	2.2	1½- 2
Oil exporters	3.8	5 - 7
Non-oil exporting developing countries	10.1	7 - 9

* Estimates by OECD Secretariat.

Data: OECD Capital Markets Division. Source: OECD.

The major fear in the medium-term lending sector is of a large-scale default. The burgeoning lending to less developed countries has attracted plenty of publicity—as have the defaults by some of these countries. So far, no banking crisis has been triggered by these defaults and it is probably fair to assume that to some extent this problem has now been discounted.

But the major hedges against such a crisis is the fact that the banks themselves are refinancing the problems of the countries concerned and that the main risks are sovereign credits which the governments of the countries where the lending banks are located cannot afford, for political reasons, to see go bad.

In the international bond market, the major fear is that large volumes of bonds are in the hands of institutions or individuals who are financing their long term fixed interest investments by borrowing short term on the inter-bank markets and who would not be strong enough to continue to do so right through the interest-rate cycle. The yield differential between short and long term yields at present is large—a good three or four percentage points allowing for the selling group discounts normally offered on Eurobonds. It is thus very profitable at present to finance bond investments by short-term borrowing.

Some of those institutions hold bonds on borrowed money are doubtless strong enough to carry the bonds they have bought even if their financing costs go above the interest they receive from the bonds. Others however are not.

The potential position was put very clearly in a recent issue of Kidder Peabody Securities weekly newsletter: "supposing 5 per cent. of all the bonds issued in 1976-77 are unplaced. That doesn't sound too bad does it? Ninety-five per cent. placed firm—only 5 per cent. floating. But it still equates to $750m. nominal. Push the "firmly placed" figure down to 90 per cent. and $1.5bn. overhang the market and if 80 per cent. then $3bn. Suddenly it gives me the shakes again."

Mary Campbell

U.S. BANKS AT HOME

Growing feeling of confidence

THE AMERICAN banking industry has bad its share of problems in the past few years, but most bankers now agree with the assessment of Dr. Arthur Burns, chairman of the Federal Reserve, that the worst *is* over and that banks are approaching the future in increasingly sound shape.

The confidence began to return to the industry more than a year ago as the immediate impact of the failure of the Franklin National Bank at last began to fade. But through much of last year there was continuing public and Press interest in the fortunes of the industry, with a number of stories suggesting that major banks were grossly overcommited at home and abroad and that the federal regulatory agencies were not taking sufficient notices of this.

In fact, according to bank analysts, public concern about the banks began to manifest itself just about the same time as the banks were already beginning to put their own houses in order, following a tumultuous period when, soma bankers now admit, a number of them did make major errors which they now very much regret.

In the past year the economy has improved and inflation has become less of an immediate problem—although one that is now causing fresh concern. The banks have worked hard under the watchful eye of the Federal Reserve to improve their position and their balance sheet, and with some exceptions, they *have greatly strengthened* both in the past 12 months.

Qualified

It was in recognition of this that Dr. Burns last month gave what amounted to a heavily qualified pat on the back to the industry. His testimony was important and it represents, along with the most recent FED figures, the latest official assessment of the position of the nation's banks.

Dr. Burns said that the events of the past few years had left banks with a much greater "sense of caution and selectivity . . . in extending credit." While they bave been to some extent cushioned by reasonably healthy profits, he said, banks have also been building up their capital by relying heavily on the longer term debt market, in itself a welcome sign of returning stability.

One sign of this bas been the gradual but perceptible improvement in the ratio of bank equity to total assets and in the ratio of total capital to risk assets. As measured by the FED the ratio of bank capital to total assets bas now recovered to about 7 per cent. compared to the 6.5 per cent. mark to which it fell at the end of 1973.

Meanwhile the ratio of total capital to risk assets rose by more than 1 per cent. in tha two years ending in August, 1976 to about 10.2 per cent. According to the FED this *recovery has been typical of small* as well as large banks.

At the same time the FED figures also show that, relying increasingly on Government securities, tha banks have moved into a much more liquid position and have become rather more cautious about lending than in the recent past. As a result, Dr. Burns said, "there has been a decided improvement in the composition of newly acquired bank assets."

Increasing emphasis on long-term funds has been matched by decreasing emphasis on short term and more volatile funds, and this has also been welcomed by the FED. But it remains true, as one senior banker noted recently, that it will be some time before there is a material improvement in the loan loss experience of most banks. In 1975 loan losses climbed rapidly, but Dr. Burns said that latest FED estimate indicated that they have since begun to exhibit a "flattening tendeocy."

Dr. Burns went on to say that "preliminary data for 1976 on bank assets classified by bank examiners as substandard or worse *also suggest that* the dollar amount of classified loans is no longer rising." In line with this, tha number of "problem banks"—that is, institutions *that require special supervision*—has stopped growing. Even at its height, it is worth remembering, it never exceeded 5 per cent. of all the commercial banks in the U.S.

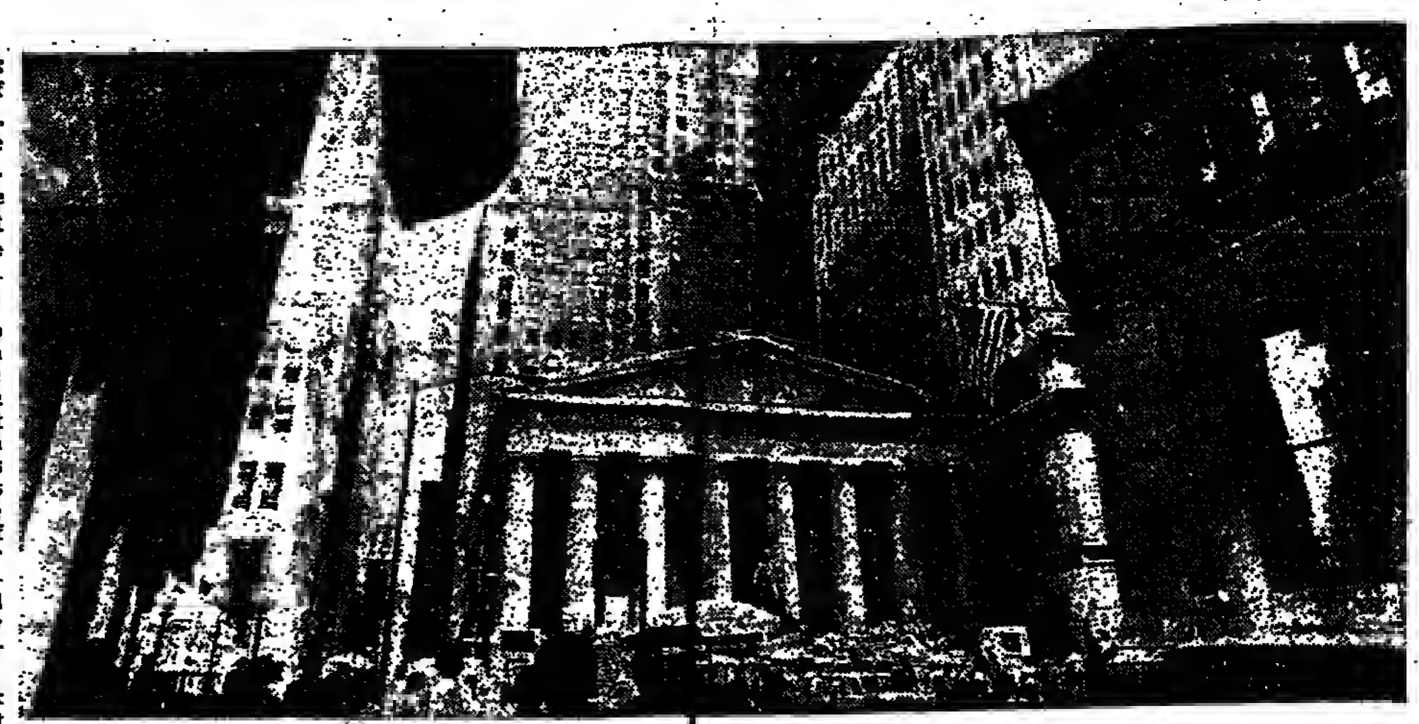
The chairman of the FED summed it up in the following way: "Having learned that the business cycle is still, after all, very much alive, most bankers are likely for a time to apply stricter standards than they did a few years ago in making credit judgments."

As a result he said the banks should have fewer problems in the next few years than they have had recently. For its part the FED shows no signs of relaxing its highly cautious approach to the licensing of new bank holding companies, a policy that has irritated some bankers in recent months.

There is little doubt that the FED is using its licensing authority to ensure that only those banks with a "sound financial condition and managerial capabilities" receive permission to expand. Parallel with this the Controllers of the Currency and the Federal Deposit Insurance Corporation have been taking new steps to co-ordinate their activities.

Wise

The FED, which is wise in the ways of its member banks, is not foolish enough to ignore the fact that there are still some significant problems to be faced. Some of these are abroad and are examined in another article. At home banks and bank holding companies remain closely involved in the fortunes of the Real Estate Investment Trusts (Reits), many of which face what the FED calls a "significant increase of maturing medium term debt later this year and in 1978."


Dwarfed by skyscrapers, the New York Stock Exchange.

There are also the problems of New York city, which are always present in the background, and *the fact that an increasing* number of smaller banks, for a variety of reasons, are choosing to opt out of the FED. Dr. Burns has called on *Congress* to act to stop this, and he noted recently that "unless the trend towards non-membership is reversed the soundness of the banking system will be jeopardised by the fact that so many banks will not have direct access to the Federal reserve discount window. The availability of this discount window—as was demonstrated dramatically in 1974—is an important element contributing to the stability of our banking system."

For these and other reasons *the FED is pressing* for an extension of its regulatory powers, which among other things would establish a "statutory inter-agency bank examination council that would set uniform standards and procedures for federal examination of banks." This would also limit loans to "insiders" and give the Board extra power to remove bank executives for "gross managerial negligence." Following the failure of the Franklin National the FED's new proposal would also permit out of state banks to buy trouble banks in other states if necessary. Dr. Burns noted that had the Franklin National failed in a small state current law would mean that no bank large enough would be able to step in and rescue it.

In all, however, U.S. banks are fairly optimistic about the future as far as they are concerned. About interest rates, the state of the economy, the prospects for investments, they are as uncertain as almost everyone else. But as they are the first to admit, they would rather have to cope with these problems than the difficulties that have affected some of them in the past three years.

David Bell

U.S. BANKS ABROAD

Consolidation the keynote

THE EXPANSION of American banks in the rest of the world continues and overseas operations *still* account for a *significant* share of profits. But in the past year American banks with overseas operations bave also been pre-occupied with the problem of the small number of countries which still threaten to have major problems in repaying what they bave borrowed.

This is a problem that has been concerning both the banks and the U.S. regulatory agencies like the Federal Reserve ever since the oil crisis imposed a sudden strain on the American and the world banking systems. In the event the American banks rose to tha challenge and responded well to the enormous load heaped on their shoulders.

As Dr. Arthur Burns, chairman of the Federal Reserve, put it recently, it fall to the commercial banks to do most of the ad hoc re-cycling that became necessary in the wake of the four-fold increase in oil prices. This was one of the reasons, but of course not the only one, for the rapid expansion in the activities of U.S. banks overseas in the past few years.

The total debt owed to American banks by foreigners has increased in the last three years *by 20 per cent. a year. This* rate of increase is far faster than in the past and raises a number of questions in the minds of bank analysts, some of which are now being faced by the banks themselves.

Doubtful

For all the talks of American bank overextension abroad the *volume of doubtful loans* to developing countries is actually very small in relation to the overall amount of money lent overseas. Citibank, the largest bank of all, has 63 per cent. of its outstanding loans overseas and makes 72 per cent. of its profits from them. Yet its loss ratio is much better abroad than at home. And like other banks, although it has lent money to a number of troubled developing nations its total loans to these are small in comparison *to the amount advanced* to far stronger countries.

Nevertheless the situation might have been very different. Last *month* Dr. Arthur Burns *took particular account* of this in a speech before a Congressional Committee. He said that it was no longer reasonable to expect the commercial banking community to shoulder all the responsibility for re-cycling and he said that no matter how successfully the banks had responded so far, they should not have to go on advancing loans overseas at the current rate.

"Certainly our export trade and the general economy have been helped and are being helped by banking's role in international lending. This is not to say there have been no excesses or that expansion of international lending by American banks can continue at a undiminished pace. Even though losses on foreign loans bave been small . . . the Federal Reserve is concerned about the enlarged risk exposure of our banks."

The particular area that concerns the FED is the $45bn. of loans outstanding at the end of last year to the so-called less developed countries (LDCs). This concern has been compounded by the fact that tha total amount of money that they owe to banks throughout the world may be as much as four times this amount. A major default in any one country could set off a very serious chain

CONTINUED ON NEXT PAGE


The Bank of America's City of London headquarters in Cannon Street, E.C.4.

Offshore scenario changes again

A CURSORY glance at the statistics of U.K. banks' business with the world's various offshore centres over the last six years highlights just how quickly the offshore scenario can change.

Back in 1971 Panama was the most important source of offshore deposits for U.K. banks, followed by the Bahamas, Bermuda and the Lebanon. Few bankers then had heard of the Cayman Isles, let alone done business there. To-day, the importance of the various centres has changed dramatically. Compared with 1971 when they took a nominal £1m. in deposits from the Cayman Isles, U.K. banks now receive £1.5bn. from this source. On the other hand, Panama and Bermuda have slipped in importance at the expense of Hong Kong and Singapore.

On the other side of the balance sheet the story is much the same. The Cayman Isles and the Bahamas have grown increasingly important as takers of funds from the London markets—over the past six years U.K. banks' claims on these two Caribbean centres have risen from £1.1bn. to £8.7bn. Likewise, Singapore and Hong Kong have both also become increasingly important takers of funds from the London Eurodollar market. By contrast, the Netherlands Antilles has declined in importance whilst the New Hebrides, which was being talked of as an up-and-coming regional financial centre a few years ago has never really got off the ground.

Tough

Last year saw a further reshuffling of the offshore pack. But it was a tough year for the international banking community. With loan demand in most major industrial economies flagging, there was increasing competition for business and margins came under pressure. The foreign exchange markets were characterised by considerable volatility in certain major currencies and international banks' growing exposure to the less-developed world came in for increasing criticism. Consequently a combination of slimmer international margins, a deceleration in the volume of new lending and a growth in bad debts took its toll on international profits.

For the first time for many years the major U.S. banks' international profits failed to grow faster than domestic earnings. Over the past decade international business has been the main spur to the continuing profit growth of the top U.S. banks. Indeed, between 1971 and 1975 Salomon Brothers, a major New York broking house, estimates that the international earnings of the top ten U.S. banks grew at an annual compound rate of 37 per cent. while domestic earnings showed no growth at all. Last year, however, domestic profits rose by 50 per cent. compared with a rise of only 1.7 per cent. in international earnings. Of the top ten U.S. banks examined, seven revealed a decline in overseas earnings. The experience was not peculiar to U.S. banks. Other international banks which had been expanding abroad rapidly in the early 1970s suffered as well. The profits, for example, of International Westminster Bank, NatWest's main international subsidiary, dropped in 1976 after a number of years of fast growth.

The slowdown in the growth of international profits has affected the network of offshore centres in two ways. First, it has meant that the number of new offices being opened has tailed off considerably from the peak levels of the early 1970s. Most of the big banks are already in the centres they want to be, and the smaller banks have generally trimmed their international ambitions. The days when an old London accepting house could compete on a par for international business with the likes of Citibank or Bank of America are long since past.

In addition, the regulatory authorities in most offshore centres have been tightening up on the banks they will allow to operate in their jurisdictions. Bahrain has set an example. By only permitting the major banks to operate in its offshore market the Bahrain Monetary Agency is hoping that it will not have to spend a lot of time and effort watching over its flock. The banks should be able to look after themselves. However, in the light of Credit Suisse's problems at its Chiasso branch, this philosophy may have to be rethought.

Network

The second way in which the slowdown in international earnings growth has affected the network of offshore financial centres is that it has focused attention even more so than in the past on those centres where the banks can secure the maximum tax advantages, thus enabling them to improve their overall margins. For a number of years U.S. banks have been booking more and more of their international business through the Bahamas and the Cayman Isles as opposed to London and this has been principally for tax reasons.

An idea of the change in emphasis can be gained from the fact that whereas in 1969, U.S. banks' foreign branch assets in London were more than eight times as large as those held in the Bahamas and the Cayman Isles, the latest Federal Reserve figures show that U.S. banks now hold $62bn. in the two Caribbean centres compared with $77bn. held in London. Since the end of 1973 U.S. banks' total foreign branch assets have risen by 70 per cent. Assets held by the London branches have grown by only 25 per cent. but assets in the Caymans and Bahamas have shot up by 160 per cent.

Despite the slower growth in numbers of new overseas outposts regional centres continue to grow in importance. Some idea of the changing priorities can be gauged from the overseas areas of expansion of the U.K. clearing banks over the past 12 months. Those which had operations in Beirut closed them and moved to safer territories. Barclays went to Istanbul while Midland, NatWest and Lloyds moved into Bahrain. In North America, Barclays was the first bank to take advantage of the state of Georgia's new Foreign Bank Agency legislation, by opening an agency in Atlanta which will serve the fast growing southern states of America. NatWest also strengthened its North American operations by opening new offices in Los Angeles and Houston, an offshore branch in Nassau, upgrading its San Francisco agency to a branch and enlarging its Canadian operation with a new office in Vancouver. Elsewhere, Midland Bank opened offices in Toronto and Sao Paulo while Lloyds moved into Kuala Lumpur and Dusseldorf.

Of the big U.S. banks, Bank of America has probably been the most active, opening new branches in Copenhagen, Bahrain, Cairo, Cologne and Jersey among other places. The bank believes its International Financial Centre in London is the largest offshore money dealer in Europe but admits that more and more Eurodollar trading is now taking place in such centres as Frankfurt, Singapore, Panama, and the Caribbean.

Though the civil war in the Lebanon has died down and a few banks have reopened their Beirut operations, the centre of attention in the Arab world is still the Gulf. The early estimates of Bahrain's growth as an offshore centre have proved somewhat optimistic, but there are now over 30 offshore banks operating there with assets at the end of January amounting to $6.5bn. Among the newcomers are the National Bank of Greece and the State Bank of India and another 10 OBU licences are expected to be issued this year.

Move

Further down the Gulf the United Arab Emirates has issued 12 restricted banking licences (RBLs), which has been interpreted as a move to set up a rival offshore centre to Bahrain. However, political rivalries between the various small Gulf States are proving to be an impediment and until these are sorted out Bahrain and the UAE are unlikely to develop their true potential as offshore centres.

Elsewhere in the Arab world Tunisia is encouraging offshore banks, having introduced new legislation last July, and Jordan also seems keen to get in on the act. However, with the possible exception of Bahrain, the Arab bid to develop their own indigenous financial centres has not been very successful so [far]. Cairo's offshore banking exp[eri]ment has become bogged do[wn] in red tape and Tehran [has] said that it is not interested [in] developing as a pure offsh[ore] centre at this stage. Fore[ign] banks are not allowed to oper[ate] locally (apart from represe[nta]tive offices) and the congest[ion] at the local ports prevents [it] from developing as an entrep[ôt] centre.

In the Far East the growth [of] the local financial commun[ity] has slowed down in line w[ith] the slower growth in [the] regional economies. Singap[ore] has implemented more libe[ral] exchange controls and lowe[r] the effective tax rate [on] certain types of Asian Curre[ncy] Unit business which sho[uld] strengthen its internatio[nal] appeal. Meanwhile Hong Kon[g's] new commodity exchange [has] started operating, enhancing [the] Colony's stature as a financ[ial] entrepot. The only other mo[ve] of significance in this area [has] been in the Philippines whe[re] the central bank is setting [up] an offshore banking encla[ve] along the lines of the Singapo[re] and Bahrain models.

William Ha[ll]

U.K. BANKS' BUSINESS WITH OFF-SHORE CENTRES*—(£1m.)

	1971	1972	1973	1974	1975	1976	% incr 1975
U.K. LIABILITIES							
Bahamas	313	524	893	1,127	2,281	4,043	+ 77.
Hong Kong	85	158	560	957	1,380	1,852	+ 34.
Cayman Islands	1	27	174	245	691	1,465	+ 112.
Panama	348	403	673	803	749	1,160	+ 54.
Bermuda	212	319	456	690	814	1,107	+ 36.
Lebanon	166	215	217	603	753	862	+ 14.
Singapore	31	91	347	480	652	815	+ 25.
Liberia	92	120	276	277	299	457	+ 52.
Netherlands Antilles	70	84	96	113	149	273	+ 83.
New Hebrides	—	—	2	8	2	6	—
U.K. CLAIMS							
Bahamas	1,108	1,888	2,994	3,025	5,363	6,887	+ 28.
Singapore	167	392	664	1,237	1,742	3,254	+ 86.
Cayman Islands	6	24	244	406	1,333	1,817	+ 36.
Hong Kong	24	113	435	965	1,528	1,788	+ 17.
Panama	279	433	802	1,087	1,390	1,788	+ 28.
Liberia	90	187	448	565	813	1,149	+ 41.
Netherlands Antilles	230	259	271	154	183	226	+ 23.
Bermuda	57	81	115	144	136	168	+ 23.
Lebanon	12	6	37	52	69	52	+ 24.
New Hebrides	—	—	29	27	19	9	− 52.

Source: The Bank of England.

U.S. BANKS ABROAD

CONTINUED FROM PREVIOUS PAGE

reaction, which is the major reason for the persistent attempt to keep the economy of Zaire—which has large debts—afloat. The present war in that country is being watched particularly closely lest it inadvertently trigger exactly such a default.

The U.S. authorities are now co-operating with other central banks to obtain as accurate as possible a profile of the debt outstanding around the world and the Fed hopes that American banks will in the future adopt a much more cautious approach to foreign loans. Dr. Burns has gone further and has urged the International Monetary Fund to take a much greater role in monitoring these loans.

There is also a hope that the proposed IMF fund to help nations with persistent balance of payments difficulties will take some of the pressure off the banks and off those nations that are particularly hard pressed.

Beyond this there is also a case for a new attempt to deal with recycling of the oil money which would inevitably have to involve the OPEC producers themselves. Dr. Burns, who has been much exercised about this of late, said recently that unless we succeed in devising sound financial alternatives serious strains in the world economy may develop.

In general, however, U.S. banks with large subsidiaries overseas are well enough pleased with the profitability of their operations. In some cities, and in particular London, there is some concern about the cost of maintaining the large offices that many banks now have. The U.K. pay policy and inflation have caused other problems, particularly in the difficult area of pay differentials between British and American staff.

At the same time the lifting of the U.S. Interest Equalisation Tax, which seemed not to be having much effect this time last year, has had a marked effect in the past 12 months. Foreign borrowing on the New York capital market has climbed sharply, with foreign borrowers raising some $10bn. last year as opposed to only $3.5bn. in 1974.

This growth appears to have occurred without adversely affecting the Euromarkets and the American banking fraternity overseas is still reporting good profits in the Euromarkets.

The American banks are also continuing to get a good share of what one called the "bread and butter" business provided by subsidiaries of large American companies operating in Europe and elsewhere. The improvement in the world economy has had its effect on bank activity as well in this area, although the rest of the world has still fully to emerge from recession.

If bankers are optimistic about next year and relieved that the worst of the past three years seems very definitely to be over, there is not, in the opinion of most analysts, likely to be a return to the expansion of the 'sixties and early 'seventies. Abroad as much as at home banks have become more cautious and more anxious to consolidate in the face of uncertainties ahead. It will be a long time before this attitude is replaced by a more optimistic one.

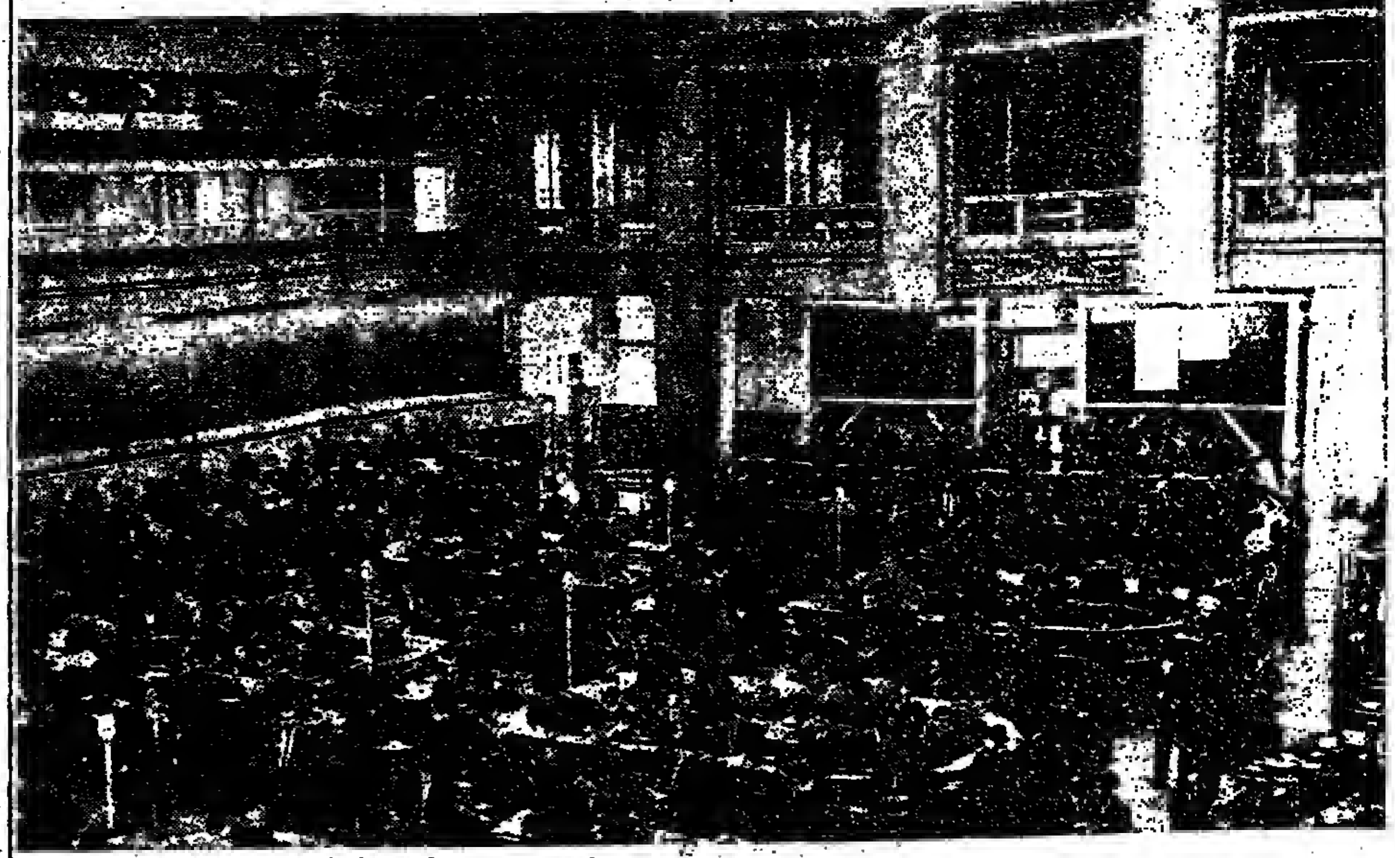
Cloud

There is, perhaps, one cloud on the horizon and that is that, sooner or later, the new Administration is likely to turn its attention to more stringent regulation of the activities of U.S. banks abroad. There have already been one or two relatively small-scale investigations of activities of small U.S. banks in offshore centres like the Bahamas, but there is still some pressure in Congress for a comprehensive new Banking Act that would establish, among other things, a Federal Banking Commission that could regulate the overseas activities of American banks. Some bankers fear that this could severely restrict their freedom of manoeuvre and that it could mean that rival banks from other countries would siphon off business.

Bearing in mind the enormous involvement of many American banks in the Middle East there are also some fears about the possible effects of the new legislation against the Arab boycott of Israel which has already passed the House of Representatives and will probably go through the Senate despite the intense attempt by the business community to soften some of its provisions. It is too early to say what effect this could have on the overseas operations of the larger banks, but it must be a question-mark nevertheless.

But it would not be true to say that apprehension about either of these measures or concern about the loans to the LDCs have had too serious an impact on the optimism of overseas bankers. If nothing else, they have been reassured by the way in which American banks co-operated and can presumably co-operate again to deal with the sudden burst of recycling. There are not many analysts who expect that the banking community will have to face a challenge quite like that again for some time.

D.B.



The Tokyo Stock Exchange.

Operating within tight limits

JAPAN'S MAJOR banks have long enjoyed a fairly pampered existence inside the carefully woven web of official regulations which govern their activities. In return for accepting restrictions on operational freedom, they have been more or less assured of more or less handsome profits through economic thick and thin. Of late, however, the web has been a little too tight for comfort.

The banks have been having *increasing difficulty in inducing* deposits, while loan business has been suffering from still sluggish corporate demand for funds. On top of everything, the burden of absorbing unattractively priced government bonds is becoming heavier.

It is natural enough that the banks should complain—as they have been doing, with an increasingly loud voice.

It is also understandable that no one appears to be too worried about their welfare. Pre-tax profits of the 13 city banks are generally expected to show another healthy rise in the latest six-month period ended March 31, following a 22 per cent. gain in the previous half-year (although the rise is not expected to restore profits to the historic highs of late 1974, even in terms of current yen). Above all, while some of the banks' privileges might be eroded, it is quite clear that the authorities will continue to adopt appropriate policies to ensure that they keep their heads very clearly above water.

The troubles the banks have been meeting on the deposit side reflect partly a growing tendency for corporations to reduce bank deposits in favour of securities offering a higher return. But the troubles also reflect growing competition—from credit co-operatives and savings and loans associations, but especially from the Government's own postal savings bureau.

Borrowings

According to some estimates the Japanese postal savings system, with total deposits of over Y30,000bn., can now claim to be the world's biggest "bank."

But the commercial banks (the largest of which, Dai Ichi Kangyo, had deposits of Y8,300bn. as of last September) are less concerned with such statistics than they are with the system's competitive strength against them. Postal savings offer compound interest calculated on a half-yearly basis, so that deposits held for two years, for example, pay slightly more than deposits with banks for the same period—which cannot be withdrawn prematurely without considerable loss. Another advantage is that post office branches total around 22,000, compared with around 17,000 for all private financial institutions combined.

Perhaps most important, interest on postal savings of up to Y3m. *is tax exempt. It is* an open secret—which bankers do their best to publicise—that the wealthy sometimes take advantage of this exemption to avoid tax by opening one account in the name of each member of the family.

The banks maintain that the rapid expansion in recent years of the postal savings system—which aims to boost deposits by another 600bn. yen in fiscal 1977—represents harmful government intrusion into the private sector, and are pressing for measures, such as approval for them to offer compound interest to allow them to compete more effectively.

Such requests so far appear to have fallen on deaf official ears, reflecting the vital role that postal savings play in the Government's fiscal management policies. The Finance Ministry's Trust Fund Bureau, which operates postal savings, provides funds for the Government's fiscal loans and investments programme (companion to the general account budget) and is a *major customer for the huge* issues of Government bonds.

On the lending side, the hard reality for the banks is that demand for funds remains slack, as major corporations, still operating in many cases at way below capacity, are still extremely cautious about investing in new plant and equipment.

Some of the financially healthiest major corporations, with high liquidity, are repaying bank loans to lower their costs, and the banks are finding that those companies which are actively seeking funds often tend to be of the less credit-worthy variety.

Looking to the longer term, most major Japanese companies are known to be anxious to diversify their fund sources by issuing securities at home and abroad, as they fear future rates of growth might not be sufficient for them to carry the burden of borrowing most of this capital from banks. This is expected to mean a long-run shift in domestic banking emphasis towards medium and smaller companies, a shift which will be encouraged by a Government directive to the banks to limit lending to any single corporate borrower to 20 per cent. of capital and reserves. Banks and their clients have been given until 1980 to comply.

The average on lendings by all Japanese banks edged down for the 23rd consecutive month in February—to 8.162 per cent. (For the city banks the rate was 7.943 per cent.). The banks' margins on their fund raising and lending operations improved last year however, as they got the full benefit of a reduction in officially regulated time deposit rates decided in late 1975. They also benefited from a sharp fall in call money rates—a significant factor in city banks' fund raising costs—and from higher profits or foreign exchange business and a better return on their equity portfolios, in line with an improvement in Japanese company profits.

Blurred

In early March, however, the Bank of Japan's official discount rate was cut to 6 per cent. from 6.5 per cent.—a cut which the banks were more or less obliged to follow by lowering their prime lending rates—while time deposit rates were left unchanged.

This left the banks with a short-term prime lending rate of 6.25 per cent.—compared to the 6.75 per cent. they were still required to pay on one-year time deposits this anomaly—which theoretically, of course, allows major prime borrowers to borrow and redeposit at a profit—might be removed as part of an overall lowering of the interest rate structure, following another cut in the discount rate to 5 per cent. in April.

If it is not. the banks can be expected to slow the fall in non-prime lending rates, and perhaps increase the notorious "compensatory deposits" which they demand from borrowers.

The difficulty for the authorities in lowering time deposit rates is that this also requires a cut in the rates paid on postal savings. With an Upper House election pending in July, at which the ruling Liberal Democrats could easily lose their majority, the Government is understandably reluctant to cut the return on personal savings, which is already below the annual pace of inflation.

Perhaps the major grumble of the banks at present is that they must continue to absorb huge amounts of Government bonds, on which they usually make a loss, since secondary market prices are below those at issue. The banks are effectively banned anyway from selling their holdings until the Bank of Japan comes along and buys some of them back one year after issue.

In fiscal 1977, with total Government bond issues slated to rise to about Y8,500bn. from Y7,300bn., the burden on the banks will increase, and because of the inflationary implications the Bank of Japan might not be able to buy back enough bonds to leave them with sufficient funds to meet a hoped-for upturn in corporate credit demand.

However, some signs of relief are on the horizon. The authorities are reportedly studying the possibility of keeping new issue terms on Government bonds more in line with going capital market rates in future, and allowing the banks to make limited sales of their holdings on the secondary market.

Simon Tait

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Ministry keeps a tighter grip

AFTER THE headlong expansion of the early 1970s, Japanese banks' overseas operations are now in what Finance Ministry officials call "a phase of consolidation."

The officials are in a position to use such descriptive phrases with authority, since it was the Ministry which decreed a slowdown to the expansion, by imposing a variety of controls on the banks' offshore lending activities, and a virtual ban—since April last year—on the setting up of new overseas banking ventures in which the Japanese partner has a majority stake (representative offices excepted).

The banks themselves—while they may grumble from time to time—do not appear to resent "consolidation" too strongly.

They certainly want to increase the degree of their internationalisation, which is still very low by some international comparisons (Dai Ichi Kangyo, the largest Japanese city bank, still gets only around 11 or 12 per cent. of its profits from overseas operations, compared with over 50 per cent. for some U.S. banks). But, like the Finance Ministry, the banks also appear to feel the need to go for quality, and not just quantity, in their overseas business in future.

London office of the Mitsubishi Bank in King William Street, E.C.4.

An improvement in "quality," in the case of the Japanese banks, to a considerable extent means a reduction in the dramatic imbalance between curent external assets and liabilities, and an increase in medium and long-term liabilities to match medium and long-term lending commitments.

According to the latest Ministry of Finance figures, for end-March this year, Japanese banks' short-term external liabilities totalled $29.03bn., while assets totalled $14.95bn., for a net external liability position of $14.08bn.

Borrowings

The bulk of these borrowings is employed for short-term Japanese trade finance, while an estimated $7bn. to $8bn. is still going to medium and long-term overseas loans. (This figure has been whittled down gradually from a high of around $10bn. in 1975, and Japanese bankers say it is expected to fall further this year as a result of further loan repayments.)

In view of still burgeoning Japanese trade volume, no one expects the huge gap between the banks' external assets and liabilities to be closed in the near future.

In the longer run, it could be closed by increased use of the yen to finance Japanese trade, allowing the banks to repay much of their dollar borrowings. But the so-called "yen shift," as the Finance Ministry has made plain enough, is likely to be a very gradual process.

There is some room to be sanguine at present, since the banks appear to be having no problems at all in rolling over their short-term dollar borrowings (unlike the period following the collapse of Bankhaus Herstatt in 1974, when, with the Eurocurrency markets in turmoil, the Japanese banks found themselves having to pay an embarrassing "Japan rate" premium).

But with the aim of encouraging the banks to restrict their practice of borrowing short to lend long the Finance Ministry came up with a new set of typically ingenious regulations last November—which are still in force.

The new regulations allowed the banks to resume medium and long-term overseas dollar loans—which had been virtually banned since 1974—but only according to a formula which relates new lending to the extent of a bank's reduction of loans from the previous peak, and to the extent of the bank's reduction of short-term dollar borrowings from the peak.

At the same time the Ministry is encouraging the banks to increase syndicated overseas loans in yen rather than dollars.

Here, there are problems on the supply side in the form of the authorities' "window guidance" controls on Japanese banks' lending volume, and also on the demand side, where many borrowers are seeking more international currencies, predominantly of course the dollar rather than the yen.

Nonetheless, overseas demand for the yen is building up and the trend looks sure to grow, albeit somewhat gradually, in line with the Japanese authorities' desire for the yen to play a more international role.

Japanese city banks like to point out that if the Finance Ministry wants them to secure more medium and long-term dollar liabilities they should be allowed more freedom to do so—most notably through issuing overseas bonds. This time last year, the banks were fairly optimistic that permission for such issues would be granted.

But since then nothing has happened, a reflection of the Ministry's apparent reluctance to interfere with the traditional demarcation in this area between, on the one hand, the city banks and on the other the three long-term credit banks and the specialist foreign exchange bank, the Bank of Tokyo (all four of which are allowed to tap the bond markets at home and overseas).

The main means of raising longer-term funds overseas for the city banks has been certificate of deposit issues. The recent innovation of floating rate Eurodollar CDs, issued by the Dai Ichi Kangyo and Sumitomo Banks, has created considerable interest among other Japanese city banks. At least one other city bank is known to be thinking of following suit, but most of them, feeling no great urgency to raise more medium-term funds, appear quite content for the time being to wait and see how the first issues fare in the secondary market.

Some City bankers appear to feel that if, for example, maturities on such floating rate issues lengthen in future from the present three years, the Finance Ministry might argue they could act as a substitute for the idea of city bank bond issues.

Blurred

While Japanese banks overseas are strictly speaking not supposed to be involved in underwriting business—and the securities houses are supposed to keep out of banking business—in practice the demarcation lines have become fairly blurred, as both the banks and the securities firms have set up overseas subsidiaries and participated in joint ventures, to allow them to benefit from the whole range of Euromarket activities.

As regards underwriting, a compromise agreement is in force whereby Japanese banks' subsidiaries do not act as lead managers of issues, but do co-manage. Japanese bankers say this suits them fine at present, since their subsidiaries do not yet feel they have the capacity to run the book for new issues. In the future, they add hopefully, this might change.

According to figures from the Federation of Bankers Associations—dating from last autumn—Japanese bank branches overseas total 104, while majority-controlled subsidiaries and joint ventures total 24, both figures are up one from a year ago, since one branch and one subsidiary had been approved before the Ministry's virtual ban went into effect in April last year. (At around the same time that that ban was introduced, the Ministry also instructed all Japanese banks to submit fairly detailed annual reports on the various overseas banking ventures in which they held a majority stake, including balance-sheets, profit and loss statements, large loans supplied overseas, and loan accounts with the parent bank.)

The Ministry's attitude towards new representative offices abroad remains flexible, as does that towards minority stakes in overseas joint ventures.

Japanese bankers express the belief, or the hope, that they have behaved themselves well enough overseas—and that conditions will be right—for the Ministry to consider relaxation of some of its restrictions on new overseas ventures before too long, and also on overseas lending activity.

The banks appear ready to wait for a while, working in the meantime to improve the return from existing overseas operations. If the waiting lasts too long for their liking, they can be relied upon to make their voices heard.

Simon Tait

GREECE

Government call for regime of self-discipline

TO AVOID the adoption of tougher measures similar to those which other countries have been compelled to take, Premier Constantine Karamanlis has called upon the Greeks to observe austerity and self-restraint.

In this spirit the Government is encouraging the necessary economic development, but at the same time discouraging "overheating" of the economy by curbing excessive demand which might result in higher imports and higher prices. The banking sector has once more been called upon to implement the austerity policy through a control of the volume and the channelling of bank credits.

The fact that the bulk of private savings is channelled to commercial banks leads eventually to excessive expansion of short-term credit, especially to trade and industry, with a consequent leakage of considerable amounts of commercial bank credit towards financing undesirable imports of luxury goods or towards other speculative activities. In these conditions the financing of the other sectors of the economy is hampered or remains to a large extent dependent on the Bank of Greece (the country's Central Bank), thereby leading to an increase in money supply and in the liquidity of the economy.

In 1976 total bank credits to the private sector rose by 24 cent. (against 24.4 per cent. in 1975) and outstanding bank credits at the end of the year stood at 375m. drachmas.

Credits to manufacturing, in particular, were up by only 22 per cent. in 1976, against a rise of 29.5 per cent. in 1975. The slowdown was noted in short-term credits (an increase of 24.5 per cent. in 1976 compared with 33.6 per cent. in 1975) as well as in long-term credits (16.4 per cent. against 22.4 per cent.).

On the other hand, credits to the import trade rose spectacularly by 78.4 per cent. in 1976, to the export trade by 33.2 per cent. and to domestic trade by 38.3 per cent. All this did not exactly fit in with the Government's intention to contain the import bill, which rose by 14 per cent. in 1976 to $5.5bn.

To restrict excessive liquidity and curb inflation (which it hopes to keep at 11 per cent. this year), the Government raised interest rates of most credits by half a percentage point on January 1 this year. The Bank of Greece rediscount rate was raised from 10 per cent. to 11 per cent.

Rates

Credits to industry for working capital now carry an interest rate of 13 per cent., including 1 per cent. bank commission, and long-term loans to industry carry 11 per cent. Loans to the import and domestic trade (except for investments) and to private consumers, including those using credit cards, now carry an interest rate of 15 per cent. Interest rates on credits destined for fixed productive investments were left unchanged at 11 per cent.

To make fewer funds available to banks for profitable lending, while at the same time increasing banks' profit margins, the Government slightly lowered interest rates paid on bank deposits (which are tax-free in Greece) in November 1976.

Savings deposits by individuals with commercial banks now earn 7 per cent., with the Agricultural Bank of Greece 7.25 per cent., with the Post Office Savings Bank 7.5 per cent., and on three months' notice of withdrawal 8.5 per cent. Time deposits for three to six months' duration earn 8.5 per cent. and for six to 12 months 9 par cent. For periods exceeding 12 months they earn 9.5 per cent. Sight deposits by individuals or companies earn no interest and current account deposits by individuals only earn 6.5 per cent.

The Bank of Greece in Athens.

The fact that a large part of private savings is placed in bank deposits (the latter rose by 26.3 per cent. in 1976 to reach 347.2bn. drachmas at end-December) is partly due to the inadequate development of the capital market.

In recent years there have been virtually no new share or bond issues for financing productive investment. As a result, private savings which could have been placed in securities were inevitably channelled to bank deposits, which are highly liquid. In these circumstances, a close interdependence has developed between commercial banks and a number of major business groups. This prevents the implementation of the desired changes in the structure of financial markets and at the same time has adverse effects on the quality and composition of their assets and liabilities.

The capital structure of many manufacturing companies has been deteriorating in recent years because of the long-established practice of financing trade indirectly, through funds intended for industrial companies, and the adverse effects of domestic recession on profitability.

In August last, the Government decided to extend State control over the commercial banking scene. It introduced legislation, unanimously approved by all parties in Parliament, which revised the country's laws on the operation and control of banks and contained clauses which allowed the State to gain control of three commercial banks belonging to banker-industrialist Stratis Andreadis.

Strong

The relevant Bill in Parliament stated that the measure was taken to ensure the normal operation of the credit system and to meet the need for strong banking organisations capable of applying faithfully the regulations of the monetary authorities, necessary for the proper implementation of the Government's economic policy.

Following this move, the State now controls five of the country's ten commercial banks and about 75 to 80 per cent. of the banking sector. Mr. Evangelos Eliadis, a former counsellor to the Governors of the Bank of Greece, was elected Governor of the Commercial Bank of Greece and the Ionian and Popular Bank of Greece, two of the three Andreadis banks taken over by the State.

Professor Angelos Angelopoulos heads the National Bank of Greece, the country's largest commercial bank, also State-controlled. This bank is discussing with credit institutions in Kuwait and Libya the establishment in Greece of a Greek-Arab Bank. Participation in the $15m. share capital will be 40 per cent. Greek (the National Bank and Greek private enterprise) and 30 per cent. each by the banks in Kuwait and Libya. The Greek-Arab Bank will finance projects in Greece and abroad and also provide bank guarantees to companies undertaking large State projects in Arab countries. It will also seek to attract petro-dollars for investment in Greece.

Twelve foreign commercial banks (all of them North American and European) operate in Greece, with a total of 33 branches in Athens, Piraeus and Salonica. These banks already handle an estimated 14 per cent. of commercial bank activity in Greece.

Barclays Bank International and Bank Saderat Iran are among the latest to receive Government approval to open branches in Greece and Bankers Trust Company of the U.S. opened a representative office in Athens in April this year.

By Our Athens Correspondent

COMECON

Promising exchanges

DESPITE the ups and downs, of the East-West scene, banking relations between the Communists and the capitalists have shown steady and promising growth in recent years. This is to a large extent due to the heavy imbalance in East-West trade, and the need to finance the resulting deficit. But a slight relaxation in the Soviet bloc's rigid banking laws has helped too.

Compared with only five years ago, the scene has changed radically. Western banks are now represented in many Comecon capitals, notably Moscow where the total is nudging 30. Hungary recently published new regulations permitting foreign banks to open in Budapest. Even Yugoslavia which, though not a full Comecon member, has some of the toughest banking laws in East Europe is preparing to let outsiders in.

Movement in the opposite direction has also accelerated. All Comecon member countries (except for Mongolia) now have at least an office in London, if not a branch or fully-fledged subsidiary. And their presence is growing in other Western capital markets too.

Conspicious exceptions are the two Comecon banks, the International Investment Bank (IIB) and the International Bank for Economic Co-operation (IBEC). Both Moscow-based, these banks perform a wide range of services for Comecon members, including the raising of Eurocurrency loans. However, IBEC recently had to abandon a planned borrowing because its legal status was not clear, even though it had previously borrowed successfully.

Whether this setback will prompt the two banks to seek incorporation, or set up subsidiaries of their own in the West remains to be seen. But since both play a fast-growing role in Comecon's hard currency affairs, their status will need to be cleared up soon. IIB is now reportedly seeking a further $400m. loan to finance the Orenburg gas pipeline.

These are details, though. By far the biggest issue in East-West banking is The Debt, now estimated to have reached a total of nearly $40bn. From the West's point of view, the debt is a mixed blessing. On the one hand it has given the largest single impetus to the development of banking activity between East and West, and has provided Western banks with welcome new sources of business at a time when dealings elsewhere were slack.

On the other hand, growing concern about the debt threatens to drag East-West banking into the political arena, from which it has so far managed to steer clear, greatly to its benefit.

Although Comecon's trade deficit with the West narrowed last year for the first time since 1971, it was still over $5bn., and the total payments deficit was estimated to be nearer $10bn. To cover its now chronic deficit, Comecon has raised some $6.5bn. in publicised Euroloans since 1973, and obtained several times that figure in other forms of finance, like export credits, promissory notes and private inter-bank deals.

Diminish

Demand for finance is unlikely to diminish, judging by the most widely accepted assessments of East-West trade prospects. These are that Comecon will be unable to hold down imports at their 1976 level for long without causing itself economic and political damage. At the same time, strong doubts remain about its ability to boost exports significantly in any categories except raw materials.

Several prominent figures in East-West trade have now predicted a doubling of the Comecon debt to some $80bn. by 1980, largely on the basis that to bring about a satisfactory turnaround, Comecon members would have to achieve the impossible task of notching up an annual increase in exports to the West of well over 10 per cent. while keeping imports steady.

Although bankers themselves disagree whether this is something they should lose sleep over, the implication is that the debt could soon become a major political issue. Public opinion, the scenario goes, will object to such massive support for the ideological foe, governments will be concerned about the international implications, and the West at large will be vulnerable to political blackmail from debtors threatening to default.

These are exaggerated fears perhaps. But it is unlikely that East-West banking will continue to enjoy its freedom from political meddling for much longer. Western banks may be asked to coordinate their

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New laws create a new climate

BEFORE LONG, foreign banks will be able to open offices in Yugoslavia. These will be representative, rather than branch offices and their main function will be to maintain contacts with Yugoslav organisations and to pave the way for financial arrangements.

This is just one of several recent developments which are changing the face of Yugoslav banking and finance.

Last March also brought three laws on foreign economic relations which affect banks and banking. The first is on foreign exchange and external credit relations. The second is on international trade and services: this one authorises the federal government to set conditions for the operation of representative offices of foreign firms, banks and other financial institutions, and transport agencies.

The third, on Yugoslav economic activities abroad, has a section on banks which gives them the right to operate abroad and found their wholly owned or joint banks. Other new developments include the opening of security markets and a greater emphasis on saving institutions.

THE BIGGEST YUGOSLAV BANKS as of December 31, 1976

(Balances in Yugoslav Dinars bn.)

1. Udruzena Banka, Zagreb*	131.151	6. Stopanska Banka, Skopje	41.067
2. Beogradska Banka, Belgrede	106.455	7. Jugoslovenska Investiciona Banka, Belgrade	33.924
3. Ljubljanska Banka, Ljubljana	91.733	8. Vejvodjanska Banka, Novi Sad	28.386
4. Jugobanka, Belgrade	71.669	9. Bankos, Pristina	22.851
5. Privredna Banka, Sarajevo	66.001	10. Investiciona Banka, Titograd	19.172

Source: National Bank of Yugoslavia.

* Udruzena Banka (United Bank Zagreb comprises Kreditna Banka, Zagreb; Privredna Banka, Zagreb; Rijecka Banka, Rijeka; IKB, Split; and KB i Stedionica, Osijek.

Criticised

The general climate in which banks operate has also been changing. Where there was a shortage of liquidity a year ago there is super-liquidity now. Indiscriminate mutual crediting by firms has been more or less eliminated. Banks are also closer to complying with the constitutional principle that they cannot pursue interests of their own but must work in the interest of their founders ("shareholders"), the basic organisations of associated labour (BOALs).

Bankers are still criticised for selling their services at high prices and living more comfortably than the production workers of the bank founders. Now, the personal incomes and other benefits of a bank's "work community" or staff, are linked to personal incomes in their "shareholding" firms.

Interest rates are also under fire—even though at 8 to 12 per cent. they are below the inflation rate. Critics say it is paradoxical that production firms should have to borrow what is basically their own money at high cost.

Others fear that unrealistic interest rates will distort capital allocation and affect profitability.

Proliferation of banks is also causing concern. Spurred by the hunger for capital, banks have been opening branch and sub-branch offices wherever they saw spare money. In one region of Serbia, it was recently stated, within a short time 20 new offices sprang up. As each requires office space and staff, this adds to the cost of money.

Behind the criticism of this phenomenon however there may also be regional lobbies who believe that money mobilised in a given region should be used to finance projects in that region.

In order to limit the number of banks operating in a given area, it has been suggested that only those should be admitted which satisfy certain criteria like minimum capital requirements. Opinions have also been voiced that the best solution would be to let the savings banks take over from the commercial banks the role of mobilising savings.

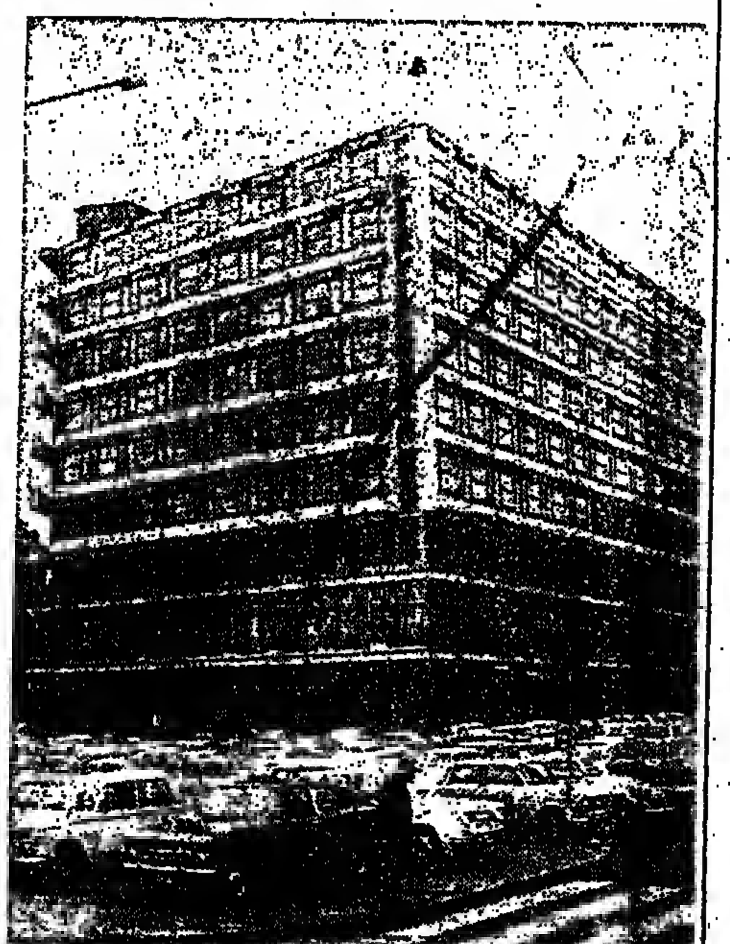
The debate about the long-standing proposal to establish a specialised bank for international economic relations to replace the Export Crediting and Insurance Fund is still going on and several drafts have been returned to the federal government for further elaboration. However official statements say that legislation to that effect can be expected soon.

Security markets are also due to start operating soon, first in the republics and then on a nationwide scale in Belgrade, run by the Association of Banks of Yugoslavia. A year ago legislation was passed aimed at breaking the chain of buying and selling on credit between firms.

From April 1976 companies can buy only if they can pay in cash, with a bill of exchange or other instrument readily convertible into money. The Government's intention was to have bills of exchange and other securities circulate but that did not materialise. The market should help it.

As far as foreign operations by Yugoslavia are concerned, banks have been criticised for not co-ordinating their activities and for borrowing money abroad irrespective of the terms and costs. In future they should co-ordinate their foreign borrowing and lending and advise their clients not to take foreign loans and credits if terms are not favourable. This will be facilitated by the improved financial position of Yugoslavia whose foreign reserves now amount to some $2.8bn. In 1975 and 1976 the Yugoslav economy paid about $350m. a year servicing its debt, part of which according to the governor of the National Bank, Dr. Branislav Colanovic, was due to excessive rates of interest which could have been avoided.

Aleksandar Lebl
Belgrade Correspondent



Republic Square, Belgrade.

COMECON

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activity more closely to obtain a fuller picture of what is going on, and to restrain undesirable competition for Comecon business.

Political considerations would also be involved should a Comecon member reach the point of needing to reschedule its debt repayments. Although it is hard to imagine an IMF mission landing at an East European capital to supervise the implementation of stabilisation policies, an East-West debt crisis would have to be handled at the highest political levels.

The apparent intractability of the Comecon debt problem could be a reason why radical solutions like East-West currency reform have received a lot of publicity recently.

Problems

Not that an advance to Comecon currency convertibility is likely in the foreseeable future—indeed the debt makes it less likely than ever — nor would convertibility solve the basic structural problems of East-West trade. But if Comecon currencies acquired even a small degree of international acceptability, they would at least make a fresh source of finance for East-West dealings.

This appears to be the view held by Comecon bankers who are trying to enlarge the international role of the Transferable Rouble, the grouping's unit of account, so that it could be used to settle Comecon's external trade.

But though the bankers intentions are still obscured by a thick cloud of unanswered questions, it is clear that the TR will not be accepted by the West because it is not readily convertible into either goods or currency.

Nor does the suggestion of Mr. Janos Fekete, vice chairman of the Hungarian National Bank, for a gold-based world currency with guaranteed convertibility into all currencies of East and West look like making much headway.

In contrast to its satisfactory growth so far, East-West banking could therefore be heading for less happy times. This is borne out by the fact that despite the many debates now going on in the West about Comecon's economic future, no one is caring to prophecy much beyond the next year or two. Indeed the number of unanswered questions is growing rather than shrinking. Will the debt get smaller? If so, how will it be done? And if it gets bigger, what should the West do about it?

David Lascelles
East Europe Correspondent

Greater inter-regional investment

TWO INTERESTING features stand out from the rapid growth of banking and financial operations in the Arab world following the 1973-74 oil price rise. The operations of the financial centres have been directed more to their home markets and to the industrialised world than to other Arab States; notwithstanding this, there have been significant advances towards inter-Arab economic and financial co-operation.

Thus on the one hand very *few of the large* numbers of bond issues organised by or participated in by Arab financial centres have been to finance entities in the Arab world, while Arab investors, with some prominent exceptions, have shown a preference for the industrialised rather than the Arab world as an outlet for their funds. On the other hand organisations for inter-Arab investment, aid, monetary, financial and economic co-operation have had considerable impetus and have in some cases scored some solid achievements.

Reflection

The fact that only a relatively small proportion of the oil-producing States' surpluses has so far flowed into the deficit countries either in aid or investment is broadly a reflection of the limited absorptive capacity of these States compared with that of the industrialised world. The amount of aid that the deficit countries have received has strikingly increased (Syria, for example, says that it has received more than $1.5bn. between 1974 and 1976 from other Arab States) but in relation to the total surplus, which in 1976 amounted to about $35bn., the proportion appears small, though without detailed figures it is difficult to quantify it.

Commercial investment is considerably more restricted than aid. This is partly because several countries in which investment might be considered have only recently implemented laws making it sufficiently attractive; while successful commercial investment is to some extent dependent on the establishment of a reasonable infrastructure which depends on the flow and absorption of aid finance.

Nevertheless, there has been striking growth in inter-regional investment since 1973-74. Kuwait is by far the biggest investor—indeed it was virtually the only Arabian country to invest in the Arab world before the oil price rise, since it had a big surplus much earlier than the other oil States. Outlets for investment at home have always been smaller than in neighbouring States and the Government decided in 1974 that as much as possible of the State General Reserve should be invested within the Arab world. In this it was following the policy agreed on at the 1974 meeting of the Council for Arab Economic Unity that as much as possible of the oil States surplus should go to the Arab world.

Kuwait's State General Reserve stood at $11bn. at the end of 1975 and of this 16 per cent. was stated to be in loans, securities and deposits in the Arab world. The Ministry of Finance deploys the funds through a variety of agencies. In property, the sector in the Arab world which it was thought would absorb funds fastest, investment operations are carried out by the Kuwait Real Estate Investment Consortium (KREIC) (set up by the privately-owned Kuwait International Investment Company—KIIC—and four private real estate companies). In 1976 KREIC, which has offices in Cairo, Damascus and Amman, was involved in six agreements in the Arab world worth about $750m. Apart from Egypt, Syria and Jordan the consortium operates among other places in Sudan and Morocco.

Another part of the Government's property portfolio is its 49 per cent. stake in the Kuwait Hotels Company, which is engaged in owning and building Hilton Hotels in various parts of the Arab world. A new Hilton opened in Khartoum, capital of Sudan, earlier this year.

Participation

Kuwait's State investment in industry and agriculture in Arab countries, which involves both equity participation and loans, is largely dealt with by the Kuwait Foreign Trading Contracting and Investment Company (KFTCIC) which is 80 per cent. Government-owned and has a capital of $85m. It owns half an investment company in Sudan, where it also has a 23 per cent. stake in the Lonrho-managed Kenana Sugar Company. It also has half the capital of a recently formed Egyptian-Kuwaiti investment company.

The KFTCIC's bond issues are normally concerned with projects outside the Arab world but in June 1976 it was lead manager of the $100m. Euroloan for the Sumed pipeline which links the Gulf of Suez with the Mediterranean. The Kuwait International Investment Company (KIIC) has been lead manager of bond and note issues for Moroccan state and private concerns.

There is little doubt that the Kuwaiti private sector organisation which has the most solid achievements in inter-regional investment is Gulf International, owned by Sheikh Sabah al Ahmed, the Foreign Minister, his son Sheikh Nasser and the Sudanese tycoon Dr. Khalil Osman Mahmoud. Its interests include about a dozen manufacturing and trading companies in Sudan (including Sudan Textile Industry and Sudan Chemical Industry), and it has a small stake in the Kenana Sugar Company.

Inter-Gulf investment by Kuwaitis is on a much smaller scale than inter-Arab. Kuwait Flour Mills owns 20 per cent. of Bahrain Flour Mills, while the Kuwait Food Company has the franchise for Wimpy bars and Kentucky Fried Chicken parlours, which are springing up in the UAE, Bahrain and Saudi Arabia, as well as Egypt.

Compared with Kuwait other Arabian countries' investment within the Arab world is smaller and at a much earlier stage of development, reflecting the fact that surpluses are newer, home investment outlets greater and financial expertise less developed.

In Saudi Arabia Kamal Adham's First Arabian Corporation announced last year that it was planning to finance a $100m. agricultural project in Egypt. Prince Mohammed bin Faisal is planning a vast ranch in Sudan, where Adnan Khashoggi's organisation Triad has interests. A Syrian-Saudi Investment Company for Agriculture and Industry has been set up, and Mr. Ghaith Pharaon's REDEC (Research Development Corporation) has said it may invest $1bn. in industrial projects there.

Neither the UAE nor Qatar is especially prominent in inter-Arab investment and finance, but both are big subscribers to the Arab Investment Company (AIC), formed in July 1974 to stimulate commercial development of the natural resources *of the Arab world. By the end* of 1976 it had committed $197m. in loans and equity and the number of member countries reached 14 by March this year. Some $289.5m. of its capital had been subscribed, with 40 per cent. paid up.

The company, which is based in Riyadh, is interested in such fields as agro-industry (it has a 17 per cent. stake in Kenana), construction materials (it has provided part of the finance for an asbestos pipe factory in Tunisia), hotels (it has a stake in the Syrian Hotels Company) and in tourism.

Triangular

In the last field it has lent Tunisia $5m. and is contemplating negotiating a loan to Syria for the construction of a commercial and touristic complex in Damascus. The AIC tends to be closely involved with Western companies and financial institutions and its schemes tend to be "triangular": capital is supplied largely by the oil producers, invested in deficit countries, using Western expertise (western companies usually hold a small financial stake in the projects).

The AIC is involved not just in countries like Sudan, Egypt and Syria, which have been trying to attract foreign investment for varying lengths of time, but also in newer outlets: North Yemen, for example.

AIC is also important because it represents a successful attempt at inter-Arab economic and financial co-operation. Member States have made contributions to it and the company's management has acted with considerable despatch. Advances have been made in collective Arab aid giving through such organs as the Arab Fund for Economic and Social Development and through the co-ordination of the operations of other aid-giving organisations, both national and multi-national, such as the Kuwait Fund for Arab Economic Development, the Abu Dhabi Fund for Arab Economic Development and the Saudi *Development* Fund. Kuwait, Saudi Arabia, Qatar and the UAE are also members of the Gulf Organisation for Development in Egypt which has recently granted Egypt a loan of $1.5bn. mainly for the repayment of short-term loans and supplier credits.

Contributors

Two weeks ago an Arab IMF began to take shape at a meeting in Abu Dhabi. The Arab Monetary Fund is to have an authorised capital of 250m. Arab dinars (an Arab dinar is equal to 3 SDRs, so the Fund's capital will be about $875m.). Twenty-one States (including the Palestine Liberation Organisation) are to be members, *with Saudi* Arabia followed by Algeria as the two biggest contributors.

The purpose of the AMF, to which the members should now have paid up a quarter of their contributions to the capital, is to help member countries in balance of payments difficulties with loans on conditional terms; in the longer term the AMF, which is to be based in Abu Dhabi, envisages strengthening economic and monetary co-operation between States, preparing for a common Arab currency and co-ordinating the positions of Arab States on international economic and monetary problems—a hint that the Arab oil States may want a bigger say in the IMF's deployment of their surpluses.

There is, however, a substantial gap between co-operation and union and efforts to reach a common Arab currency seem certain to be very long drawn out, if the experience of the four Gulf States is any indication. Kuwait, Bahrain, Qatar and the UAE last summer put back the date for achievement of a unified currency from 1977 to 1978, and the project may have received a further setback in the wake of the run on the UAE dirham at the end of January this year.

Apart from choosing a formula for fixing the currency's parity against the dollar, the central banks of the four States have to agree on common policies for intervention, liquidity regulations, interest rates and tariffs—all of which are reminders of the differences which exist between the Gulf States as each develops different fields of financial specialisation.

James Buxton

Less Euromarket engagement

A LOT LESS of Arab institutions was seen on the Euromarkets last year. Among the top lead and co-managers of medium-term syndicated credits, the few Arab banks that featured were well down the list and they were mainly the consortium banks. In the Eurobond sector, the value of issues lead-managed by the three top Kuwaiti companies almost halved in 1976 over 1975.

This was partly because of the increase in liquidity in the Eurobond market, which made competition for business much stiffer, and partly because of the implications of the Arab boycott of Israel as applied to international financial transactions. There was also a general trend towards more investment within the Arab world.

In Eurobonds, the decline in activity by the two investment companies in which the Kuwaiti government has a stake—the Kuwaiti Investment Company (KIC) and the Kuwait Foreign Trading, Contracting and Investment Company (KFTCIC)—was quite startling. In 1975 KIC lead-managed six deals worth $209.75m., according to *Eurobond-77*, published by Inter-Bond Services; in 1976, it lead-managed three issues worth $64.89m. At the same time KFTCIC dropped from four deals worth $77.87m. to two worth $34.13m. The contribution of the third Kuwaiti company—the wholly private Kuwait International Investment Company (KIIC)—was about the same in the two years, with six deals worth about $110m. But overall, the value of the issues lead-managed by the three big Kuwaiti companies was down from $398.37m. in 1975 to $210.19m. in 1976.

The drop in activity by KIC and KFTCIC in the Eurobond market in 1976 was due not so much to the Kuwait Ministry of Finance's directing less of its surplus funds through them but because, in the words of a senior Ministry official, "we had some resistance from some anti-Arab companies, which tried their best to put our companies aside and not let them participate." It is undoubtedly true that leading Eurobond houses were unwilling to get involved in the Arab boycott problems that might arise if a Kuwaiti house were in the management group. And with market conditions as they were in 1976, they did not need to.

Issues

At the same time, however, Kuwaiti institutions began to lend more to the Arab world, as well as more in regional currencies, mostly the Kuwaiti dinar. Kuwaiti dinar issues totalled KD80m. last year, having shown rapid growth from KD52.5m. in 1975 and only KD15m. in 1974. Of the issues led by the big three Kuwaiti houses in 1976 totalling $210.19m. only $35m. was actually in dollars, the rest being in local currencies.

In addition, the relative newcomers from Kuwait in the Eurobond market — Arab Financial Consultants Company, Kuwait Financial Centre, National Bank of Kuwait and Kuwait International Finance Company — led issues totalling $88.74m. in 1976 all in local currencies. Nearly all these issues were in the Kuwait currency, since there have been only two UAE dirham issues so far (neither a particular success) and use of the Saudi ryal internationally is tightly controlled by the Saudi Arabian Monetary Agency.

The greater relevance to the Arab world of the Kuwaiti market is shown by the fact that of the 13 dinar issues worth KD80m. in 1976, five equivalent to KD35m. were floated for Arab borrowers for financing specific development projects, according to Hikmat Nashashibi, manager of KIIC. "These loans complement official development assistance and the efforts of Arab aid bodies to channel surpluses to deficit Arab countries," he says.

The main problem with marketing KD or other currency bonds in the Arab world is the limited range of retail outlets. The oil wealth has still not filtered very far through society in most of the rich Gulf States, except perhaps in Kuwait, where the Government has consciously tried to promote this development; and where there are a lot of wealthy individuals, as in Kuwait, they generally prefer more obvious forms of investment such as shares or property.

However, a new company has just been formed in Kuwait to improve the retailing of bonds and fixed-interest securities in dinars and other international currencies; and also to promote an active secondary market. This is the KD1m. ($3.5m.) Arab Corporation for Trading Securities (ACTS), owned 65 per cent. by KIIC and 35 per cent. by the Industrial Bank of Kuwait.

The hope is that greater activity in the secondary market will lead to more realistic pricing of new issues. This in turn will eventually attract a higher class of borrower in KD issues. Up to now most borrowers in KDs have been less than prime names from the Middle and Far East, Eastern Europe and Central America.

Parallel and related to these developments in Kuwait has been the rapid emergence of Bahrain as an intermediary between the Gulf and the international money markets. Forty top international banks have been allowed offshore banking units (OBUs) (30 are open), which with one exception are branches of their parent banks. The idea is that the wealthy governments and individuals of neighbouring States can bank their money through Bahrain during their own working hours without having to wait for London or New York to open—and they can do it with the banks they would normally deal with in the traditional centres.

At the same time, the constant and growing need for foreign exchange because of the massive imports into the region can be satisfied through the creation by the OBUs of an international money dealing centre. The large official surplus oil funds have been slow to come to Bahrain: of the $6.2bn.-worth of liabilities of the 28 OBUs operating at the end of 1976, less than half—$2.6bn.—was credited to Arab countries, compared with $2.3bn. for Western Europe and $900m. for other offshore centres. By currency, the deposits broke down into 70 per cent. dollar and 20-25 per cent. local currencies.

Awarded

But big strides have been made in the exchange dealing and rates are already as fine as in London. Trade in the Saudi, Kuwaiti, Qatari and UAE currencies is gathering pace, reflecting the growing number of contracts being awarded in those currencies to foreign customers of the OBUs and their need for cover for the portion that cannot be financed in non-Arab currencies for the two to three years that the contracts run.

Restrictions placed by the Saudi Arabian Monetary Authority (SAMA) on commitments by banks in Saudi Arabia in relation to their capital and reserves have obliged many of the Saudi banks to channel some loans and guarantees for performance and advance payment bonds for their customers through banks in Bahrain, thus assisting internationalisation of the riyal, the very development SAMA, with its extreme conservative bent, is trying to avert.

Lloyds Bank International's OBU, for instance, has put up a bid bond and arranged import finance for an $80m. university project in Riyadh being carried out by a consortium of Canadian, Kuwaiti, Saudi and Japanese interests. In Bahrain itself, a $16.5m. revolving credit was arranged for Aluminium Bahrain (Alba) by 22 OBUs, which apparently offered better terms than those Alba could have obtained in London.

Most recently, many of the banks with OBUs have participated in the $20m. 7½-year loan for the Bahrain Sheraton project, co-managed by Manufacturers Hanover and UBAF. The leading investment-oriented OBU is BAII (Middle East) Inc., a separately incorporated affiliate of the Paris-based Arab/Western consortium, Banque Arabe et Internationale d'Investissement (BAII). Apart from being prominent in Kuwaiti dinar and UAE Dirham issues, BAII was lead manager for the SR100m. issue for SAMIR of Morocco earlier this year.

The latest step taken to develop the Bahraini market has been the issue of bonds denominated in Bahraini dinars for external borrowers, the first of whom was the Philippines. The idea is that an active secondary market will be developed by the OBUs, even if the primary takers are elsewhere.

Although they are still as a group huge net providers of funds to the Euromarkets, the OPEC countries are increasingly coming to the markets for funds for big hydrocarbon or industrial projects. The Arab face seen most often over the past couple of years has been Algeria, with total borrowing in the Eurocredit market of $500m. in 1975, $583m. in 1976 and $200m. in the first quarter of this year. The release by the Banque Exterieure d'Algerie of data on the country's ambitious gas-export programme and on debt-servicing (which projects the debt service ratio to rise to 24.9 per cent. in 1982) may help to overcome the resistance developing among some banks to further Algerian borrowing.

The Ruler of Dubai has also had recourse to the market for large amounts for his development projects, and more use of the market is expected to be made by Federal bodies in the UAE in the future (a $100m. borrowing by the telecommunications authority is in the pipeline). Qatar's first Euromarket borrowing—$350m. for seven years at a spread of 1 per cent. above Libor for several major projects—has just gone into syndication.

For nearly all the Arab countries the most useful and convenient form of exposure to the workings of the international money markets is through their participation in one or more of the Arab/Western consortium banks based in Europe—the Union de Banques Arabes et Francaises (UBAF), the strongest of these banks in commercial and medium-term lending operations; BAII, more of an investment bank; Frab-Bank International; and European-Arab Holding.

Training

UBAF has affiliates in London, Rome, Frankfurt, Luxembourg, Hong Kong and New York, and branches in Tokyo and Bahrain. European - Arab Holding in Luxembourg has subsidiaries in Brussels, Frankfurt and London. These ventures give Arab States a valuable training medium for their younger personnel, as well as involving their executives in management decisions.

Much the same considerations applied to the setting up in London last year by the Saudi Arabian Monetary Agency (50 per cent.), the two wholly Saudi commercial banks (24 per cent. each), Morgan Guaranty (20 per cent.) and four banks from Japan, Britain, France and Switzerland (5 per cent. each) of the £25m. Saudi International Bank. The Kuwaitis, of course, have long had their own consortium bank in London, the United Bank of Kuwait. The Qatar National Bank opened a branch in the City last year, and one is planned by the National Bank of Abu Dhabi.

More important in the long run, however, is likely to be the Gulf International Bank, which at present operates as an OBU from Bahrain. Set up by the Saudi, Qatari, Kuwaiti, Iraqi, Bahraini, UAE and Omani Governments, the $100m. bank is planning a presence in all the major international financial centres.

Peter Field

The First National City Bank office in Bahrain.

Increasing local stake

"HOW CAN we depend on gifts, loans and investments from foreign countries and foreign companies without endangering our independence?" asked President Julius Nyerere of Tanzania in the Arusha Declaration of January, 1967, his country's socialist charter. "The truth is that we cannot." Just over a week later Tanzania nationalised all its commercial banks.

In the decade since then, the Sudan, Ethiopia and Somalia have taken the same step and many Black African Governments have moved cautiously towards greater participation in the banking sector. The most striking change in banking in Black Africa in the past ten years has been this gradual Africanisation, the increasing stake taken by Governments and local private investors in the foreign banks that dominated the field at independence.

The motive force behind this development is that expressed in the Arusha Declaration — the desire to follow political independence by economic independence. It is a situation for the most part accepted philosophically by the banks, both for reasons of enlightened self-interest and a concern to identify with the aspirations of the countries where they operate. Together with Africanisation, and to some extent as a corollary of it, banks have found their lending policies subject to increasing pressures from Governments anxious to ensure balanced growth on a continent that is essentially a primary producer.

Another notable trend has been towards a more cosmopolitan banking structure than that inherited at independence, when the foreign banks operating in each country were those of the former colonial power. Although this is still very much the rule in the commercial sector, British banks have been moving into Francophone Africa and French banks into the English-speaking countries, while U.S. merchant banks have moved forcefully into the more prosperous States.

However, this broad picture of banking in Black Africa ignores considerable differences between countries having divergent political ideologies and economic resources and, equally, between the English-speaking countries and Francophone States. The former French colonies of West and Central Africa still maintain strong banking ties with Paris, having decided after independence to remain inside the French franc zone. The exception was Guinea, with Mauritania and Madagascar quitting more recently. In return for French guarantees of the convertibility of the African CFA Franc, the two central banks for West and Central Africa have to keep 65 per cent. of their foreign exchange holdings in Paris.

Movement

But here again, the past few years have seen a movement towards greater African control over African resources, a development symbolised by a decision to move the headquarters of the two central banks from Paris to Africa. The head office of the bank for Central Africa began business in Yaounde last January, a move which meant a reduction in French staff and many more management jobs for Africans. The central bank for West Africa has still to move.

While the poverty of many Francophone territories suggests that considerable dependence on France will continue for the foreseeable future, it is possible that some of the more prosperous countries will move out of the CFA franc and establish their own currencies. And throughout the Francophone States the central banks' powers to direct economic development are increasing. Over the past two years the countries linked in the West African Monetary Union have given their central bank a greater ability to regulate total credit expansion under a two-phase reform programme.

Among other things, this has seen the introduction of a call money market and a new interest rate structure, while commercial banks are no longer allocated rediscount ceilings. Their access to central bank credit is determined annually, taking into account the economic objectives of the individual countries and the Union, and the central bank favours credit to priority economic sectors, whereas previously rediscount ceilings were allocated among banks without sectoral distribution.

It is only natural that less developed countries should wish to keep a close watch on the sectoral distribution of bank credit and equally natural that the banks will be disinclined to lend to the weaker sections of the economy, frequently the very areas that governments wish to see developed. This clash of interests has inevitably produced some friction.

One particular problem area is the provision of rural credit. Farmers' lack of capital assets and their land holding system, based on traditional usage and not legal documents, can produce collateral difficulties. Indigenous banks, most of them State-aided or State-owned, can help in this respect and also in tapping rural savings in the more remote regions that the expatriate commercial banks do not feel it is profitable to enter. The growth of mobile banks demonstrates another way of tackling this problem.

Nigeria has introduced particularly strong guidelines for the sectoral distribution of credit. The productive sector there has to receive 58 per cent. of the commercial banks' total loans and advances and the guidelines are mandatory: any bank that exceeds the ceiling on lending to the less productive sector—which includes trade finance and personal loans—suffers a financial penalty, a percentage of the excess credit being confiscated by the central bank.

With its great oil wealth, Nigeria is very much a country apart in the African banking context, but as an economic trend-setter it may well point up the direction other countries will eventually take. Since last October, all the foreign banks operating there have had to be 60 per cent. Nigerian owned, a situation that involved no shock changes for the major commercial banks, which were already 48-49 per cent. locally-owned.

But there had been no prior Nigerian shareholding in the foreign merchant banks, many of them recent arrivals. The move therefore caused great bitterness and one bank, First National City Bank, quit the country. Another, Bank of America, changed its name to Savannah Bank while a third, First National Bank of Chicago, is considering changing its name.

Elsewhere in English-speaking Africa, the movement for Africanisation has slowed down during the past few years and in many countries the big three—Barclays, Standard and Grindlays—still retain a majority shareholding in their subsidiaries. In some cases they have not even been required to incorporate locally. Both Zambia and Kenya at one time put forward participation plans but then thought again and pulled back. However, the Africanisation trend still continues: last year the Kenyan Government and Grindlays reached an agreement whereby the Government acquired Grindlays' 40 per cent. stake in the Kenya Commercial Bank, which was already 60 per cent. Kenyan owned.

Ineffective

Two factors appear to underlie the deceleration in the rate of Africanisation. First is a realisation by Governments which have sometimes experienced problems with indigenous banks (such as poor management and ineffective credit controls) that the long experience of Africa acquired by the foreign banks is not an advantage to be lightly shrugged off.

Secondly, there is the economic situation. Only three African countries—Nigeria, Gabon and Angola—produce oil in substantial quantities and the effects of the steep rise in oil prices are still being felt across the continent, although this has been mitigated in some countries by the agricultural commodities boom. Rising import costs and diminished foreign exchange reserves mean few funds are available for the compensation payments that would have to be paid to the banks.

Nor has the economic situation helped Black Africa's access to the Eurocredit market, where the sub-Saharan States tend to be regarded as poor credit risks, a viewpoint reinforced by Zaire's debt rescheduling and the rebel invasion of its Shaba province. Major Euromarket lenders will now do more homework before committing funds to Black Africa, but are still prepared to accept new borrowers that are politically stable and have sound economies. For example, Liberia, which has a reputation for relatively sound financial management, recently secured its first Eurodollar loan, for $30m.

Alongside their participation schemes, all the major foreign banks have implemented successful schemes to speed up the training of local staff, frequently leaving only a handful of expatriates at the top of the structure. It is, however, a process that is not without problems. To have worked for a foreign bank can be an important career qualification in Africa and employees frequently use their training as a stepping stone towards better positions elsewhere. In some places, the banks' staff turnover can be as high as 50 per cent. per annum.

But pressures from African Governments, combined with the soaring cost of maintaining an expatriate staff, mean that the Africanisation of bank staff will continue apace. Africanisation of the shareholding structure is likely to proceed more slowly, but it is possible to foresee a time when largely locally owned banks might dominate the labour-intensive commercial sector, with foreign-owned concerns concentrating on financial advice and the vital area of international borrowing.

Martin Dickson

Back to centre stage

LIKE OTHER economic institutions, the People's Bank and its foreign trade arm the Bank of China must have suffered badly in the political turmoils of last year. In the first half of 1976 the premier, Chou En-lai, died and the radicals in the leadership were able to overturn the moderate economic policies which he had pursued. In the second half, came the demise of Mao Tse-tung, bringing the country to the brink of civil war and thus generating an atmosphere in which no economic work could make progress. But as soon as Mao's successor, Chairman Hua Kuo-feng, was firmly in the saddle, production and trade moved back into the centre of the stage. From then on the bank's stock must have risen again as it is the one channel through which all investment and revenue flow.

Last month a national conference on finance and banking was held in Hsiyang, a "model" county in Shansi province. This was a rare event, a mark of the new leadership's determination to press ahead with economic reforms in every sphere. While the conference was nominally devoted to studying the experience of the county in self-reliance, obviously many of the nuts and bolts of banking in China must have come under discussion.

Conference

The published report on the conference attacked the "gang of four," Chairman Mao's widow and her assistants, for their extravagance in making interest-free loans to the suburban areas of Shanghai of Yuan 104m. (about £35m.) and recommended frugality and self-reliance. How far the gang really frittered away the State's money is a moot point; what is interesting about the report is that it shows that even with a much more pragmatic leadership in power, the emphasis still has to be on self-help.

Furthermore, the report emphasised the watchdog role of the bank, which has not only to distribute the funds but look after how they are spent. And watchdogs are clearly needed: in spite of the high moral tone of most news emanating from China, it was apparently necessary to stress that bank officials should oppose "capitalism, speculation, corruption and embezzlement."

The bank will have an important role in ensuring that what money there is for investment will go to the right quarters. All lending is done by the People's Bank; a local branch presumably has to decide between conflicting claims to funds from different factories and communes. At present the general guidance is that agriculture comes first, but industry is very important indeed and the local official is probably left to make up his mind according to local circumstances.

Agricultural units, the communes and their sub-divisions, are supposed to work hard to save for their own investment, but circumstances must vary a great deal and some must be too poor to do so. The rural areas of China are so vast that no government could finance development throughout: the only alternative, whether "radicals" or "moderates" hold the reins, is the Maoist idea of self-help.

China's foreign trade bank, the Bank of China, must also have had a hard year in 1976. It was a time of stringent cutback of imports to pay for exports, and until the "gang"

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Cutting the links with sterling

JUST BEFORE Christmas last year the Bank of Jamaica halted sales of foreign exchange by the island's commercial banking system following what it called "much uncertainty in the foreign exchange markets which has caused unusually large purchases of foreign exchange."

The "much uncertainty" which caused the run was a rumour put about by the opposition Jamaica Labour Party, which had just resoundingly lost the general election to Michael Manley's People's National Party, that the Jamaican Government would be forced to accept a large devaluation of the Jamaican dollar as a condition to obtaining an IMF loan to save the country's economy.

The devaluation never came but in January Mr. Manley unveiled a package of measures to deal with the economic crisis. The package included strict import and foreign exchange controls, higher taxes, a prices and incomes freeze and a cut in pay for top Government officials. Unsurprisingly, Mr. Manley also said that foreign exchange transactions would be taken out of the hands of the commercial banks and placed with the central bank, the Bank of Jamaica.

Foreign exchange reserves fell in Jamaica at the end of last year to an all-time low of minus J$193.6m. (£124m.) as capital fled the country from the socialist policies being pursued by the Government. The Prime Minister himself estimated that J$300m.-worth of foreign exchange had been smuggled out of Jamaica since 1974.

Undaunted

Undaunted by the crisis, Mr. Manley's Government has been actively pursuing its policy of gaining control over local operations. Jamaica now has a controlling interest in the local bauxite and alumina operations of Alcoa, Kaiser Aluminum and Reynolds, and in March Barclays Bank of Jamaica became the first bank to suffer a similar fate when the Government acquired an 80 per cent. interest in it, leaving the remaining 20 per cent. of the shares in the hands of Barclays International.

Barclays is the second largest commercial bank operating in Jamaica, with 50 branches throughout the country and net deposits of J$177.4m. with advances of J$144.6m. Its paid-up share capital stands at mere than J$6m., of which J$2m. was locally held. The Government has also announced its intention of purchasing the assets of two smaller banks on the island, reportedly the Jamaica Citizens Bank and the Bank of Montreal. Negotiations are understood to be in progress between the Government and the principals of these two banks.

All eight commercial banks on the island were approached by the Government before it singled out these three for State ownership. In January the Prime Minister told Parliament that the takeovers were part of an effort to ensure that financing went to the productive sectors of the economy—particularly agriculture—rather than to consumer spending.

In Guyana Prime Minister Forbes Burnham has been pursuing similar policies with even more energy. The Government has completed the nationalisation of the bauxite and sugar industries and the handful of banks and insurance companies. Still operating privately are the only noticeable foreign presence in the economy. These banks—Barclays International, Bank of Baroda, the Royal Bank of Canada, Bank of Nova Scotia and Chase Manhattan—are likely to be taken over by the State shortly. Mr. Burnham has said that the Government will in the near future "place the country's banking resources in the hands of the Guyanese people and control all financial resources" as part of its declared policy.

The Prime Minister has declared 1977 the "Year of Austerity," ordered a $G100m. (£23m.) cut in the import bill and tightened foreign exchange allowances. Guyana's foreign exchange reserves, which once stood at £78m., are now £12m. in deficit.

In Trinidad and Tobago, however, the picture looks considerably more rosy for the banks. Banking there has traditionally been dominated by non-resident financial interests but since 1970 the Government has been endeavouring to encourage the formation of local banks and to persuade international banks to incorporate locally and to offer shares to the public. Two new local banks have been established since then and the foreign commercial banks have been striving to become more indigenous. Only three foreign banks have not yet discarded their branch status and become local corporations, and one of these—the Canadian Imperial Bank of Commerce—is likely to go local this year. The other two—First National and Chase Manhattan—have not yet announced their intentions.

Barclays, the Royal Bank of Canada and the Bank of Nova Scotia, which have incorporated locally, have made efforts to meet the Government's request that they place at least 51 per cent. of their equity in local hands within five years of incorporation; all three expect to meet this goal this year. As Trinidad and Tobago (the Kuwait of the Caribbean) has become wealthier on the basis of the oil price boom, the importance and earnings of the banks have also been increasing markedly.

Last year was a record one for bank deposits in the country. By November they had reached a level of $TT1.7bn. (30.5 per cent. higher than for the whole of 1975) and the banks' principal problem has been how to deploy that money productively since the rate of loan demand throughout the year failed to match the supply of funds.

Report

A new report from the Caribbean Development Bank's headquarters in Barbados is due out in a few weeks but last year's report showed a 50 per cent. rise in the bank's total resources to $U.S.146.13m. and a quintupling of disbursements to $22.29m. A great number of approved proposals faced the bank last year and the latest report should show another sharp rise in disbursements in accordance with the bank's decision to place greater emphasis on project implementation than on project preparation and appraisal. In its early days the bank was accused of being reluctant to lend but this policy has now given way to a more dynamic approach—especially in agricultural financing.

In Barbados itself, the Barbados Labour Party under Mr. Tom Adams won power in the September elections and in accordance with its electoral manifesto has moved to consolidate the banking institutions under Government aegis into a National Bank of Barbados, with divisions for savings, agricultural financing, development and a commercial division. The move will not particularly affect the private banking sector—apart from making banking more competitive—and in some areas may be of benefit in channelling off from the private sector a number of borrowers whose securities and prospects are unattractive to the more conservative approach to banking.

Barbados also ended in July 350 years of association with sterling and linked the Barbados dollar to the U.S. dollar. The new alignment with the U.S. dollar of two-for-one meant in effect revaluation of the Barbados dollar by 9.7 per cent. against all other currencies and is credited with having enabled the island to withstand to some extent the pressures of inflation.

Last year was marked throughout the Caribbean by the cutting of currency links with sterling. Belize, Trinidad and the East Caribbean Currency Authority countries (comprising Antigua, Montserrat, St. Kitts-Nevis, Anguilla, Dominica, St. Lucia, St. Vincent and Grenada) all severed their links with sterling and re-aligned with the U.S. dollar.

The other side of banking in the Caribbean—the offshore banking sector—has continued to flourish. In the Bahamas there were fears that Prime Minister Lyndon Pindling's commitment to a $2bn. economic development programme might lead to the introduction of income-tax and undermine the country's status as a tax haven. No official denial has been forthcoming but Government officials have privately denied that any such step is planned.

The importance of the Bahamas as an offshore centre has continued to increase. Since the end of 1973 the assets of American bank branches in the Bahamas and Cayman Islands have increased by more than 150 per cent. to comprise 31 per cent. of the assets of all foreign branches of U.S. banks. Foreign branch assets in turn amount to 40 per cent. of the total assets of the largest U.S. commercial banks which total about $553bn.

By the end of May last year more offshore loans by U.S. banks were recorded in the Caribbean than in London. The Bahamas had 31.8 per cent. of the total, compared to London's 27.5 per cent. Only 18 months earlier loans booked in London amounted to 38.3 per cent. of the total compared to 28.4 per cent. in the Bahamas.

The quiet battle between the Bahamas and the U.S. over Bahamian bank secrecy laws continues and in September preliminary talks between the two countries on a tax treaty began. How tough any treaty will be in its final form remains to be seen but most observers believe that the Bahamas will succeed in obtaining a cosmetic agreement that gives the appearance of co-operation but leaves intact the country's strict bank secrecy laws—galling as that might be to the U.S. Internal Revenue Service in its dogged hunt for U.S. tax evaders.

John McCaughey

CHINA

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were overthrown in October anyone who had earlier advocated importing foreign technology must have been extremely vulnerable to criticism.

However, most experts outside China agree that Peking did in fact have a small favourable balance of trade last year. This was the first time since 1972; in the years since then the Chinese have been consistently in the red on their hard currency trade, particularly in 1974 when they clocked up a deficit of $1.2bn.

Last year's trade probably totalled about the same as in 1975, but exports overhauled imports, probably giving the Chinese a favourable balance of about $200m. The overall value of trade was probably around $13.5bn., with the Japan External Trade Organisation estimating Chinese imports at about $6.2bn. and exports at $7.2bn. Washington estimates put the export total slightly lower, at about $7bn. What one must remember in dealing with both these calculations is that the overall values include trade with the Soviet bloc, on which China normally has a surplus. As this trade is a barter transaction and in any case the currencies are not convertible, that kind of surplus does not help the Chinese with their payments to the West.

Stringent

Getting out of the red was the result of stringent cutting of imports and persistent pushing of exports. The main import commodities to suffer were grains and in the second half of the year machinery and equipment. Some deliveries to China were enormously up on the previous year (notably from West Germany), but Japanese and much European selling declined. The policy seemed to be the completion of existing contracts for plant but the avoidance of any new ones.

Meanwhile, Peking continued its policy of stressing exports, continuing the "mini-fairs" it introduced a couple of years ago for specialised items like fur and carpets. It also exhibited more abroad in new centres, like the Ideal Home Exhibition in London. But neither of the two Canton Fairs did spectacularly well, owing to shortages of traditional Chinese products caused by indifferent harvests.

Even with a possible small trade surplus, the Chinese were probably in financial difficulty at the end of last year. They shipped 80 tons of gold to London which according to market sources were sold during November and December. This preceded some large wheat purchases, so the presumption is that funds were needed for those. With disappointing harvests and a cutback in wheat purchases last year, the probability is that the Chinese had to dip into grain reserves. Then with another drought this spring they must have been concerned about a real food shortage. These factors are bound to mean more juggling with foreign exchange, more cautious expansion in the banking area and more effort to maximise their profits from international banking.

Some of the fog that used to surround the Bank of China's operations has begun to clear as a result of its increased activity in recent years. The Registrar General's department in Hongkong keeps on file the Bank's annual balance sheet in accordance with Hongkong banking legislation. In addition the Bank for International Settlements publishes quarterly figures for aggregate assets and liabilities for all accounts with domestic banks of the reporting Group of Ten countries. Not all Group of Ten banks isolate Chinese accounts in their books, but enough is available to indicate the nature, if not the size, of the Bank of China's operations.

These reveal that from December 1974 when the figures were first compiled, China's assets with reporting banks more than doubled from under $500m. to over $1bn. In December 1975 Chinese deposits in these foreign banks equalled more than 20 per cent. of the Bank of China's assets. It also shows that on the Eurocurrency market in December 1974 the Bank of China was a net borrower from reporting banks to the tune of $358m. By December 1975 it was a net lender of $139m. and by the end of the second quarter of 1976 it re-emerged as a net borrower of $82m.

Restraint

The size of these sums shows the restraint with which China borrows. This attitude is confirmed by the size of its assets in reporting banks, never more than $1bn. And at no time have China's net borrowings exceeded 90 per cent. of the assets it holds in reporting banks.

Whether the Chinese will be able to continue such conservative banking policies when they have such a need for foreign goods remains to be seen. They are obviously interested in convincing foreign bankers of the soundness of their operations: the capitalisation of the Bank of China was increased from renminbi 19.8bn. to 400bn. between 1974 and 1975.

This was presumably designed to lower the ratio of liabilities to net worth, which by Western banking standards was extremely high. While in a sense it was hardly necessary since the Bank of China is clearly guaranteed by the People's Bank and the whole economic apparatus of the Chinese Government, the change makes its balance sheet look more respectable. The other Communist banks in Hongkong followed suit, a move which taken together with the others strongly suggests a Chinese desire to expand its banking operations abroad, in furtherance of its trade.

Colina MacDougal

SINGAPORE

Maintaining a policy of low interest rates

JUDGING BY last year's performance of three of Singapore's big four banks, the republic's banking sector appears not only to have come out unscathed from the economic upheavals of 1975 but to have done relatively well.

Despite the low interest rates which prevailed throughout the whole of last year and the continuing weakness in demand for money, the three banks—Development Bank of Singapore (DBS), United Overseas Bank (UOB) and Overseas Union Bank (OUB)—were able to report substantial if not record improvements in profits.

The Singapore Government majority-owned DBS chalked up a record increase of 59 per cent. in net profit for the year ended December 1976. The UOB group reported an impressive rise of 23 per cent. in net profit last year, and the smallest of the "big four," Overseas Union Bank, recorded an increase of 46 per cent. in net profit at the half-way stage, while its soon-to-be-announced full-year figure for 1976 is expected to show an estimated 30 per cent. improvement.

True, much of the impetus for the bank's improvement in profitability came from investments, subsidiaries and other non-direct banking activities but even after knocking off the contributions from these sectors, earnings from banking operations also showed a creditable growth.

Only in the case of the Overseas Chinese Banking Corporation (OCBC) are investors watching with trepidation, for the bank's 1976 result, which is due to be released soon. For the interim period to mid-1976, OCBC's profit figure was marginally down from the corresponding period in the previous year, and the directors' statement that the group's full-year figure will not be materially different from that of the previous year provided little cheer to shareholders.

Over the past few years interest rates in Singapore have moved in only one direction—downwards, with the average prime lending rate of the ten leading banks declining from 10.25 per cent. at end-1974 to 8 per cent. in June 1975, to 7.18 per cent. in June last year, and now to about 6.8 per cent.

Declining

The declining rates coupled with the slower economic growth—compared with the double-digit expansion rates of the past years—and consequently, a slower growth in bank loans, have cut significantly into the banks' margins.

Thus the more conservative banks like the OCBC whose traditionally high level of liquidity brought handsome gains during peak interest periods, particularly in 1972 and 1973, are now burdened with having to service excess liquidity.

Singapore's money market is so flush with funds that bankers are expecting the low interest rate trend to continue at least for another six months or so. Reflecting this condition is the recent aggressive bidding by banks for the Government's two-year domestic bond issue. The S$80m. issue was more than twice oversubscribed and the average sucessful tender price gave a gross redemption yield of only 4.53 per cent.

The liquid state of the market is partly due to the Government's deliberate easy-money policy to stimulate the economy. On top of this, many of Singapore's major companies—which traditionally maintain very low gearing—are themselves in a highly liquid state.

With interest rates at a low point, depositors are now flocking to the Government-owned Post Office Savings Bank (POSB), which offers 5.5 per cent. tax-exempt interest on savings deposits compared to the relatively unattractive 3¼ per cent. or so taxable interest offered by most commercial banks. An individual paying the top income tax rate of 55 per cent. will thus enjoy a gross yield of about 12 per cent—a far cry from any similar alternative.

The phenomenal expansion of the POSB over the past year or so is therefore not surprising. The number of POSB depositors hit the 1m. mark in March last year, while total deposits doubled from S$575m. at the beginning of last year to just over S$1bn. in January this year.

POSB's deposits alone account for about 11 per cent. of the combined banking sector's total deposits of non-bank customers. The bulk of its funds have so far been applied largely to Government securities, loans to statutory bodies, housing loans, and public development projects.

The commercial banks' attitude towards competition from the POSB is somewhat of a paradox. On the one hand they are worried over the loss of potential customers to the POSB but on the other they are happy to see the POSB taking away funds which given the current state of liquidity, the banks will have a problem finding use for. Furthermore, many of these savings accounts are too small and uneconomic for an ordinary bank to service.

But on a longer term basis the POSB could be a source of trouble for commercial banks if it begins to apply an increasingly large amount of its huge deposit base to the commercial lending sector.

In the offshore banking sector the Asian dollar market continued to expand impressively.

Total funds in the market, according to statistics of the Monetary Authority of Singapore (MAS), rose by 34 per cent. to U.S.$16.9bn. over the 12 month period to February this year, against 18.5 per cent. during the corresponding previous period.

Impetus

The market is still largely dominated by interbank activities. Interbank funds, which expanded by 42 per cent., accounted for 87 per cent. of the liabilities base and provided the main impetus for the expansion in the market. On the assets side interbank lending rose by 38 per cent. to U.S.$12.5bn. and accounted for 74 per cent. of total assets. Loans to non-bank customers grew by a more modest 19 per cent. to U.S.$4.1bn.

The Asian bond market also made its mark last year with a record number of flotations of the 16 Asian bond issues listed on the Singapore stock exchange, ten were floated in 1976 alone, raising a total of $U.S.267m. and DM50m.

The main borrowers were Japanese banks and industrial corporations, Singapore institutions and the European Investment Bank. What was particularly encouraging to the market was not only the apperance for the first time of the triple-A rated European Investmant Bank but also the fact that the bank came to the market twice within a space of ten months.

The Asian bond market is still miniscule relative to the Eurobond market—the ratio of new capital raised by issues on the two markets so far is perhaps in the region of 100 to 1. But if in its early days it was felt that the market was hardly more than a cosmetic exercise with so-called Asian bonds flowing back on to the traditional Eurobond market, it is now felt that the growing quality and increasing Asian participation in new issues together with the possible expansion of capital raising activities in Singapore by non-Asian borrowers indicate that the market has progressed beyond its embryonic stage.

Concommitant with the increased pace of primary activity is the development of the secondary market in Asian bonds. Last year the market saw for the first time active trading in Asian bonds, with a leading Singapore broking house establishing a daily two-way market in all the listed issues on the stock exchange trading board.

The development of the secondary market in Asian bonds appears to be only part of the MAS's broader-based plan to promote the republic's financial markets.

The aim to ensure sufficient depth, breadth and sophistication in Singapore's financial markets as well as the scope of financial activities and instruments to support primary activities and to enhance the Republic's reputation as a leading international finance centre.

This line of thinking is also reflected in the activation of the secondary market in Singapore dollar Singapore Government securities last year. As a result of the joint efforts of the MAS, brokers, discount houses and financial institutions, there is now an active secondary market in Singapore Government domestic bonds. For example, last year's turnover in Singapore bond transactions amounted to some S$900m., more than twn and a half times the amount achieved in 1975.

Despite their many achievements Singapore's hardworking monetary officials continue to work relentlessly to maintain the Republic's lead in the Asian financial scene. In May this year, following the successful introduction of Singapore dollar negotiable certificate of deposit (NCD), the MAS together with banks will be launching the secondary market in Asian dollar NCDs. Asian dollar NCD was first introduced in Singapore in 1970 but because of the absence of a secondary market and other reasons, it never really got off the ground.

Incentive

Besides this, the Government has also extended its tax incentive on income from Asian dn'lar-market operations in its 1977 budget announced in February this year. The new measure "streamlines" the tax on income derived from Asian dollar market operations—making all classes of nffshore lending automatically eligible for the concessionary 10 per cent. taxation rate without bureaucratic insistence on certification. The formula for determing profits from offshnre operations has also been simplified.

Some bankers construe this move as a means to blunt competition from the Philippines, which launched offshore banking late last year and taxes its nffshore banking units only at 5 per cent.

Although the Philippines offshore banking units will in some way compete directly with Singapore's offshore banks, the Republic's headstart coupled with its more sophisticated financial structure and stronger external position, place it in a strong position.

Furthermore, Singapore officials feel that there is scope for mnlti-centre activity just as London shares leadership of the Eurodollar market with Zurich, Frankfurt, Brussels and Luxembourg. That the Republic has already made its impact in the financial world is reflected in its two successful international bond flotations in the Japanese and Swiss capital markets recently.

In December last year, the Singapore Government became the first Asian government to be allowed to borrow on the tightly regulated Japanese market with the issue of a 10bn. yen bond. Just about two months ago it successfully floated a Sw.Frs. 50m. issue on favourable terms, thereby becoming the second Asian country after Japan tn be able to horrow on the Swiss market.

Georgie Lee

Tower blocks typical of Western city skylines symbolise the sophisticated business and financial community of Singapore.

Government decisions are awaited

IN COMMON with other aspects of political and economic activity in India, there has been something unreal about banking during the 19-month period of emergency rule that ended with the defeat of Mrs. Indira Gandhi and the Congress Party in the March elections. Much that was concealed is now coming into the open, and banking inevitably had its share of the abuses of the system in the country by those in power and their minions. The abuses and the precise manner in which they were carried out have still to be documented and this will be possible by legal inquiry commissions and panels that the new Government has ordered. A review of the past, to be meaningful, must await the outcome of their reports.

For the present, it can only be stated that the Reserve Bank will need to explain why its credit restrictions failed and led to the record increase in money supply by 14 per cent. in the financial year 1976-77. This was one reason for the fresh bout of double-digit inflation of 12 per cent. in the year—just when inflationary forces had been successfully brought under control.

By the time answers to this are available, the Reserve Bank will itself have undergone a shake-up. As part of its policies, the new Government is making close inquiries into irregularities in various organisations and the Reserve Bank and the banking system that it is meant to regulate will be no exception. It will particularly have to explain why it permitted selective relaxation of credit restrictions, to mention just one aspect of the searching probes that are to be made. Pending answers to these, it would be better to look into the future of banking in India with just a fleeting glance at past monetary developments.

It is now certain that the Reserve Bank will regain its primary role as the controller of monetary policies and banking. This was considerably diluted in the past couple of years when the Department of Banking and Revenue came under the independent charge of Mr. Pranab Mukherjee, who was defeated in the recent election. The Banking Department, separated from the Ministry of Finance, centralised guidance and formulation of monetary and credit policies within itself. This is now to be corrected and the rightful role of the Reserve Bank restored. It will then be in a position of taking to task erring banks both in the public and private sectors. This is important since it has been recognised that monetary controls are vital in guiding the economy along desirable ways and any waywardness by commercial banks can lead to the entire policy going astray.

Opposed

As part of this, the new Government will have to decide what to do with the banking set-up. Ironically, the new Prime Minister, Mr. Morarji Desai, was dismissed as Finance Minister in 1969 by Mrs. Gandhi on the grounds that he was opposed to nationalisation of commercial banks. That was a politically motivated move, and Mr. Desai promptly resigned; Mrs. Gandhi, just as promptly, nationalised the country's 14 largest banks.

Political though the move may have been, it meant that very nearly the entire banking system came into the public sector. Since then the 14 banks have been functioning both independently — they retain their individual identities—and also collectively under the guidance of both the Banking Department and the Reserve Bank to carry out the former Government's socio-economic policies. This has led to some good.

For example, a beginning has been made in taking banking to the rural areas, although the much landed rural banks scheme has to make considerable headway if it is to replace traditional sources of credit among poverty-stricken illiterate farmers. Other new programmes include lending to the "priority" sections that were hitherto ignored, and there is little doubt that the small man (for instance, taxi drivers, small shopkeepers and the like) have benefited by a part of bank credit being placed at his disposal.

Yet even the previous government recognised that despite the partial reorganisation that aimed at avoiding duplication of banking functions in the same areas, the banking system had to be restructured; the system of appointing "lead banks" to pave the way in specific regions for specific purposes has been at best a poor beginning. Hence it appointed a new banking commission under the chairmanship of Mr. Manubhai Shah, a former Minister of Commerce, who is something of an economist but is primarily a politician. He quit this post to contest the March elections and, like most Congress members, lost his seat.

The commission is now without a head and, in any case, has not been functioning for some months. Its future is in doubt and obviously this will be determined when the Government is in a position to decide about the manner in which it wants the banking system to function. Such a decision will have to await presentation of the budget by the new Finance Minister late in May, since he will be too preoccupied with his sums to have time to examine the state of banking until then.

Selective

In effect, therefore, Indian banking is waiting for the Government to decide on its future, and until then will continue to function as best as it can. The only certainty is that the Reserve Bank will be strengthened and it is quite possible that the once-powerful Department of Banking will either be unceremoniously wound up or wither away.

What of the past year? The credit squeeze — or as the Reserve Bank calls it "selective credit controls"—was officially continued. Something went wrong somewhere, however, because the explosion of money supply—and the recrudescence of inflationary forces—was only partly due to the unusual rise in foreign exchange reserves (they rose by an average of more than Rs.1bn. a month in 1976-77, leading to a corresponding increase in money in circulation). There was an unusual spurt in credit despite the continued assertion that a tight money policy was being enforced.

There were continuous demands by industry for relaxation in credit restrictions but the fact is that 1976-77 witnessed an unusual expansion of bank credit at a time when not only were interest rates maintained at the high level of the previous year but curbs were reinforced by other measures such as raising of the statutory cash reserve ratio of banks from 4 per cent. to 6 per cent. During the year, bank credit expanded by Rs.22.69bn., which was not only far in excess of the Rs.21bn. limit imposed by the Reserve Bank but also meant that, just as in the previous year, credit restrictions had little effect both on loans and money supply.

It is true that the unexpected spurt in foreign exchange reserves played a role in this, but the most important factor was the rise in food credit. At Rs.6.6bn. it accounted for a large part of the rise in bank credit—food credit finances the grain procurement programme of the Government and has been high because two good crops have resulted in the piling up of over 18m tonnes in stocks—but it was not as high as in the previous year, when it reached just over Rs.9bn. On the other hand, credit to the commercial sector rose by Rs. 16bn. as compared to Rs.12bn. in 1976-77 and this at a time when industry has been complaining of being starved of credit because of the Reserve Bank's restrictions.

In 1976-77 bank deposits showed a remarkable rise of Rs.34bn. compared to just over Rs.23bn. in 1975-76. This was obviously due to the explosion in money supply and excessive liquidity that the credit restrictions failed to mop up. Borrowings from the Reserve Bank by the banks naturally dropped despite the rise in cash reserves to Rs5.9bn. (compared to only Rs.1.45bn. in 1975-76), mainly because of the raising of the cash reserve ratio twice in the year. There are thus a number of unexplained developments during the year that only a thorough inquiry into the working of banking operations at all levels will clarify.

Independent

The reported decision of the new Government to restore to the Reserve Bank its statutory role as an independent body is therefore welcome. It is hoped that it will again become the country's central bank, functioning as a bankers' bank, the main formulator and instrument of monetary policy as well as an objective critic of the economic policies of the Government. The precedent of making the Reserve Bank and monetary policy serve political ends—as shown by the relaxation of monetary discipline on the eve of the recent elections—must be rejected.

The new Government has indicated that it wants the Reserve Bank to function not as an arm of the executive but as an effective manager of monetary policies; hence the expectation that it will be freed from the control of the Department of Banking. It will assume the functions of both fitting its long-term strategy with the new socio-economic objectives of the Government in terms of the political mandate given to it by the electorate and as the corrector of short-term harmful trends. How it will do this, and what reforms the Government plans, should be known very soon.

K. K. Sharma
New Delhi Correspondent

PAKISTAN

Economy under severe pressure

MOUNTED ON a weak economy, Mr. Zulfikar Ali Bhutto introduced a series of reforms in the economic, social and administrative fields soon after assuming office as President and Chief Martial Law Administrator in December 1971. These reforms could have brought beneficial results to the people and the country had they been implemented with proper timing and due consideration for circumstances.

But despite heavy expenditure on them these reforms have instead played havoc. Central Government expenditure (both revenue and capital) increased from Rs.11.29bn. in 1970-71 to Rs.32.35bn. in 1975-76. The present Government has spent more than the total amount spent in 23 years by previous Governments.

Notwithstanding the heavy outlays GNP at constant factor managed to increase only from Rs.32.3bn. in 1970-71 to Rs.40.2bn. in 1975-76, and per capita income from Rs.526 to Rs.564. Thus just to get additional GNP of Rs.7.9bn. the Government had to incur an extra expenditure of Rs.21.05bn. This is a very costly growth rate for a relatively poor country like Pakistan.

In the wake of the political uncertainty before the March 1977 election and virtual economic breakdown in the pre-election campaign and post-election confusion, the prospects of a rapid growth in GNP, abatement in inflationary pressures and increase in investment levels—with which the year 1976-77 had begun—appear to have dimmed considerably.

Pakistan experienced zero growth rate in 1969-72 in the wake of civil commotion, the Indo-Pakistani war and the secession of Bangladesh in 1971.

The rate of growth surged up to 7.4 per cent. in 1972-73 but deteriorated steadily to 3.2 per cent. in 1975-76, chiefly as a result of the vagaries of nature and the Tarbela tragedy affecting agricultural production, the loss of investors' confidence following economic reforms, and international economic recession. Inflation, which had remained within reasonable limits in the early years, rose sharply and ranged between 24 to 27 per cent. in 1973-75.

The acute inflationary pressure was caused by increased demand stemming partly from a spurt in agricultural incomes produced by the system of high support prices of selected products and continued subsidy on a number of items and partly from sizeable investment in long-gestation projects such as the steel mill, Port Qasim, and fertiliser factories. During 1975-76 it was a hard struggle to get the inflation rate down to about 12 per cent.

Fulfilment of current investment targets will be influenced by four factors. First, the Government had fixed a deadline (August 31 1976) for the declaration of concealed income. The public declared about Rs.1.5bn., most of it now available for investment in the public sector. Secondly, the 6 per cent. increase in the price of petroleum will push up the general level of prices and widen the foreign exchange gap as well.

Thirdly, with the aim of integrating the rural economy, Government nationalised cotton ginning, rice husking and flour milling units with six or more rollers, and their handling by the new management in the public sector will affect processing and distribution of these primary commodities. Fourthly, the post-election developments have been unfortunate. Besides causing loss of property and millions of manhours of work, they are likely to result in a reduced production of goods for consumption and exports.

Inflation

The most serious impact of these developments will be the price explosion. At this critical juncture, when the world economy appears to be poised for recovery and inflation is tending to fall, a general increase in prices will impair the country's competitive position.

It is estimated that the public sector programme during 1976-77 will need to be financed to the extent of Rs.1.25bn. by deficit financing. Added to this will be the burden of money creation for meeting the fall in revenues during the political turmoil in the country. According to unofficial reports in the recent weeks, Government has resorted to deficit financing of Rs.700-750m. for meeting its non-development expenditure. This is bound to aggravate inflationary pressures.

Pakistan's trade deficit has been mounting steadily. From Rs.72.3m. in 1971-72 it went up to Rs.10.47bn. in 1974-75. During 1975-76 it registered a decline to Rs.8.67bn. The last six years' accummulated deficit amounts to Rs.24.33bn.

Deficit

Similarly the balance of payments has been deteriorating. The current account deficit increased from $597.1m. in 1970-71 to $1.16bn. in 1975-76. The Accumulated deficit over six years amounts to $3.73bn. To meet this deficit the Government had to resort to excessive borrowing from the traditional and non-traditional aid-giving sources.

The economy appears to be under severe pressure from two points. First, the temporary dislocation of production will create shortages and encourage inflationary tendencies. Secondly, the reduced availability of goods and higher inflation will blunt the competitive edge of exports. The latter declined from Rs.6.02bn. in July 1975-January 1976 to Rs.5.92bn. in the corresponding period of the current year, a fall of 2 per cent.

All told the outlook is depressing. The cash position in private sector industries is woeful. Those in the public sector have the advantage as they are partly financed by government and partly by the financial institutions under government guarantee. They also enjoy all facilities in the procurement of capital loans and other inputs, both indigenous and imported. However, despite all the assistance nationalised industries are in bad shape.

Government's nationalisation policy has failed to achieve desired results and the credibility gap between it and the private sector continues to grow in the absence of clear-cut economic policies.

Unless the Government gives a clear undertaking and comes out with a long-term plan, instead of relying on the annual development plans, the private and public sectors, instead of coming close, may drift apart in size and capacity to the detriment of national interests.

Iqbal Mirza
Karachi Correspondent

Era of prolonged restraint

IT HAS BEEN a traumatic year for banks in South Africa, with two banks taken into curatorship, one of the so-called "big five" taken over, and a rescue operation mounted by the reserve bank to prevent a run on the smaller institutions. In contrast, banks in Rhodesia have experienced an easier year.

The state of near-turmoil in South African banking in recent months occurred against the background of prolonged restrictive fiscal and monetary policies by the Government, maintaining generally high interest rates and an extremely tight rein on credit. Simultaneously many banking institutions have found themselves dangerously overexposed in the ailing South African property market.

Although the troubles of the banking system cannot be directly attributed to the political problems of the region, the collapse of the property market in South Africa has been largely influenced by fears for the future, and the Government's restrictive policies have also been dictated by the threat of an outflow of short-term capital, combined with the already real difficulties in obtaining foreign loans for domestic development.

The Government's clamp on credit expansion dates back to February 1976, when Dr. T. W. de Jongh, Governor of the Reserve Bank, introduced quantitative restrictions on lending, blaming the "abnormally high purchases of foreign exchange" for the "excessive increase in bank credit" to the private sector.

In spite of Dr. de Jongh's insistence that the restrictions were temporary, the 0.5 per cent. unit on monthly credit expansion has just been replaced with a total freeze in the latest budget. The success of the Government policy can be seen from the fact that the quantity of money and near-money increased by an annual 16 per cent. in the first half of 1976, and by only slightly more than 2 per cent. in the second half. For the whole of 1976 the increase was just 9 per cent.—R777m. (£520m.)—the lowest annual increase since 1971.

However, the principal reason behind the decline in the rate of increase of money supply in the latter half of the year was the reduction in the net indebtedness of the exchequer, and the likely increase in government debt in the present quarter is given as the primary reason for the latest freeze.

The credit restrictions have had a mixed effect—with only the bigger institutions like Barclays National actually bumping against the limits—because of the generally low demand for bank credit. But the combination of the restrictions with the high liquidity requirements laid down by Government and the continuing high level of interest rates have caused some banks to complain bitterly about their lack of freedom of action.

Deposit rate control was extended up to amounts of R1m. (£670,000), thus eliminating virtually all price competition from fund raising — although the limit was relaxed to R250,000 (£167,000) in February last as part of the recent rescue package for small banks threatened with illiquidity.

Meanwhile the big clearing banks have had to contend with the continuing trend away from non-interest bearing current accounts towards longer-term deposit accounts. At the end of 1976 demand deposits as a proportion of total commercial banking deposits stood at 38.7 per cent., compared with 40.1 per cent. at the end of 1975 and 48.3 per cent. in 1972. For Barclays the amount of cheque deposits as a proportion of total deposits dropped from 35.3 per cent. in September 1975 to 29.8 per cent. in 1976.

Liquidity

Excess liquidity in the banking system remained at relatively low levels throughout the year, but the large increase in the required liquid asset holdings of banks resulted in a substantial increase in actual liquid assets, in spite of the switch from short-term to medium-term deposits. As a percentage of total liabilities to the public such holdings exceeded 32 per cent. during the second half of 1976 and January 1977.

The general trend of short-term interest rates in the middle of the year was downwards, reflecting diminished demand for bank credit, although rates recovered between November and February, 1977. Longer-term rates were more stable. Overdraft rates changed only once during the year—from 12 to 12.5 per cent. in July. In addition, banks introduced a system of differential rates in the mid-year, when interest margins were being squeezed because money market rates were substantially higher than yields on statutory liquid assets, resulting in an effective increase in financing charges.

Given such a restrictive environment, resulting generally in lower earnings and slower or even negative growth, some casualties were likely. Indeed, with the extensive commitment of many banks in the slump-hit property market they were almost inevitable. The first bank to be placed in "curatorship" (judicial management) was Rondalia Bank, reportedly losing R10,000 (£6,700) a day, soon followed by Rand Bank. The latter was heavily involved with the property giant Glen Anil, along with another seven banks, which were owed about R100m.

Glen Anil was forced to seek a moratorium from the banks because of its inability to meet interest payments, following an annual report which cast doubt on the value of its land holdings, and a consequent run on its shares. Rand Bank, already suffering a run on deposits, found its extra R10m. commitment to the property company made it impossible to meet liabilities falling due in February.

The consequent crisis of confidence in the smaller South African banks—there are more than 50 banks in the country, dominated by the big five, Barclays National, Standard, Volkskas, Nedbank and Trust Bank—was stemmed only by a rescue operation led by the Reserve Bank, including a R55m. safety net maintained by the big five with the National Finance Corporation, to be available for recycling to the smaller institutions, and a reduction in the size of deposits subject to interest rate control from R1m. to R250,000.

Yet within two days of the rescue operation being announced came the next upset—the news that Trust Bank with R1.7bn. (£1.14bn.) gross assets, was being taken over by Bankorp, a little-known holding company worth barely half as much, but effectively the banking arm of Sanlam, the South African insurance giant. The problems of Trust Bank were clearly more serious than appeared on the surface—including a R19.2m. involvement in Glen Anil—seeing that the bank was given only one seat on the combined board, and the offer was one Bankorp share for three compared with a market share price of one for two.

The worst of the banking crisis now appears to be over, but bankers predict an exceedingly cautious year ahead, with a deepening economic recession and further squeezing earnings. The recent Budget raised the proportion of prescribed investments which commercial banks must hold in Government or Government related stock from 10 per cent. to 15 per cent., which must further squeeze earnings because of the lower yields available.

The other major debate of the year in South Africa has been about the foreign ownership of the top two banks, Barclays and Standard, when the local management of Barclays National publicly bought South African defence bonds as part of the banks prescribed investments, only to be reprimanded by the parent company in London. There is continuing speculation that the South African Government might call for a hastier conversion to majority South African shareholding, which at present is supposed to be introduced over the next nine years.

Easier

After the liquidity crisis of mid-1975 the Rhodesian banking system experienced easier conditions last year partly reflecting the improved balance of payments. In the first half of 1975, the banks were faced with a strong net outflow of foreign exchange as import costs (especially fuel and transport) soared and export proceeds either fell—reflecting the recession—or were delayed by the transport congestion in South Africa and Mozambique.

Despite the Mozambique border closure last year, the external recession and the sharp loss of business confidence the demand for credit declined. As a result banks, which had previously been competing for fixed deposits with other financial institutions, now find themselves rather embarrassed, with very high fixed deposits and declining credit demand. The value of the fixed deposits held by the commercial banks virtually trebled in the past two years and is now roughly equal to demand deposits, whereas in the past demand deposits have been three times fixed savings.

Reflecting the severity of the recession in the Rhodesian economy and the loss of confidence the growth of bank advances fell from 30 per cent. in 1974, to 19 per cent. in 1975 and just over 8 per cent. last year, which after allowing for 1976 inflation implies a small fall in the volume of bank lending. This was most evident in the distribution, real estate and construction sectors.

Only one of the four Rhodesian commercial banks publishes Rhodesian profit figures (Barclays, Standard Chartered and Grindlays are subsidiaries of the U.K. parents). The Rhodesian Banking Corporation, controlled by the Nedbank group in South Africa, has just published figures to show a 24 per cent. rise in taxed profits in the half year to March 1977, so that business remains good despite the difficult economic and political situations. All the banks are being adversely affected by the military call-up (employing significant numbers of young whites) and the rising emigration rate. As a result greater use is being made of women and African staff than hitherto.

Paul Betts
Johannesburg Correspondent

ISRAEL

Fraught with uncertainty

SELDOM HAS the outlook for future Israeli economic policy been fraught with so much uncertainty, with no one willing to predict the outcome of the general elections on May 17. The "floating" and "protest" votes this time constitute a larger factor than ever before, the rate of abstentions may prove unusually high, and the outcome may well be a stalemate, with neither of the leading parties able to form a coalition with the smaller factions broad enough to command a majority in the Knesset.

If another Labour-dominated Government should emerge, then it is likely to continue the present economic policy, albeit with modification to undo the detrimental effect of its large-scale wage concessions in the pre-election period and efforts to arrest the run-away inflation. On the other hand, if the new Centrist party, the "Democratic Movement for Change" led by Prof. Y. Yadin, should emerge as a major coalition partner, or if the Right-wing "Likud" opposition bloc gains in strength, then more drastic steps are likely to be taken to effect the structural changes and the cutback in public expenditure to which both parties are committed in their election manifesto.

These policies might well result in at least temporary unemployment, without which the aims of cutting the top-heavy service sector, the consequent elimination or slashing of deficit financing, and the shift of workers into industry cannot be achieved. This should not only boost exports, but lead to a resumption in the growth of the GNP which has been stagnant for the last three years, in contrast to an average annual rise of over 10 per cent. in the pre-1973 period.

The Labour-led Government of the past 3½ years has maintained full employment (or rather over-employment) at a time when many more developed countries experienced soaring unemployment rates. It did so on the grounds that a country at war, a country wanting to attract immigrants, and one still faced with wide social gaps, cannot afford unemployment. But this has been achieved at the cost of inflation at the rate of 56 per cent. in the post-Yom Kippur war year 1974, of 26 per cent. in 1975 and of 38 per cent. in 1976.

Both the budget for the past fiscal year, and the draft one for 1977/78 (which had to be put into cold storage as Premier Rabin could no longer command a majority in the House) provided for substantial recourse to the printing presses.

The Rabin Government has, during the past year, taken a number of steps to contain the inflation it created and to reduce the yawning balance-of-trade and balance-of-payments deficits. These included a gradual reduction in the subsidies for basic commodities and the introduction of VAT at the rate of 8 per cent. so as to reduce disposable incomes.

Roost

But this has come home to roost in the form of an avalanche of wage demands during the early months of 1977, under which the Government caved in, leaving the mess to be mopped up by the new Government, to be formed after the mid-May general elections. (In fact many of the wage demands were based on expectations of either a wage freeze, a reduction of real incomes by continued inflation, or the imposition of higher taxes lower subsidies).

On the other hand the Rabin administration did well on the second count—the balance of trade and the balance of payments. Israel's visible exports rose by 26 per cent. or $476m., to $2.31bn. from $1.83bn. in 1975, with only 2 per cent. of the rise due to higher prices.

With imports down by 1 per cent. or $47m. the trade deficit was cut by a whopping 23 per cent. or $522m. to $1.75bn. The rise in exports reflects the success of the policy of monthly mini-devaluations of roughly 2 per cent. in any 30-day period. This not only keeps the exchange rate at competitive levels, but also results in higher tax refunds to exporters on their added value.

The decline in imports resulted from somewhat lower defence imports as well as the tight rein on commercial credit. This, together with the high cost of loans (starting at 28 per cent. for so-called non-directed credit) caused importers to keep stocks at minimum levels. These positive trends in both exports and imports continued during the first quarter of 1977, but imports may rise later in the year as inventories are run down and the latest wage increases lead to greater demand.

Foreign currency reserves remained steady or even increased somewhat to $1.1bn. However, Israel's external debt continued to grow apace by $1.7bn. to $9.3bn. Debts to the U.S up from $2.3bn. to $2.9bn. mainly as a result of loans for arms purchases. The remainder of the increase in 1976 represents better utilisation of foreign suppliers' credits, sales of Israeli bonds ($300m), IMF and foreign bank loans, etc. However, the proportion of short-term debts in the total was reduced sharply thanks to the improvement in the balance of payments.

With exports up by a further 30 per cent. in Jan./Feb. this year, and the abolition of customs duty on Israeli industrial goods by the EEC due to come into effect on July 1, the improvement in the balance of trade should logically continue.

But the recent strike of port

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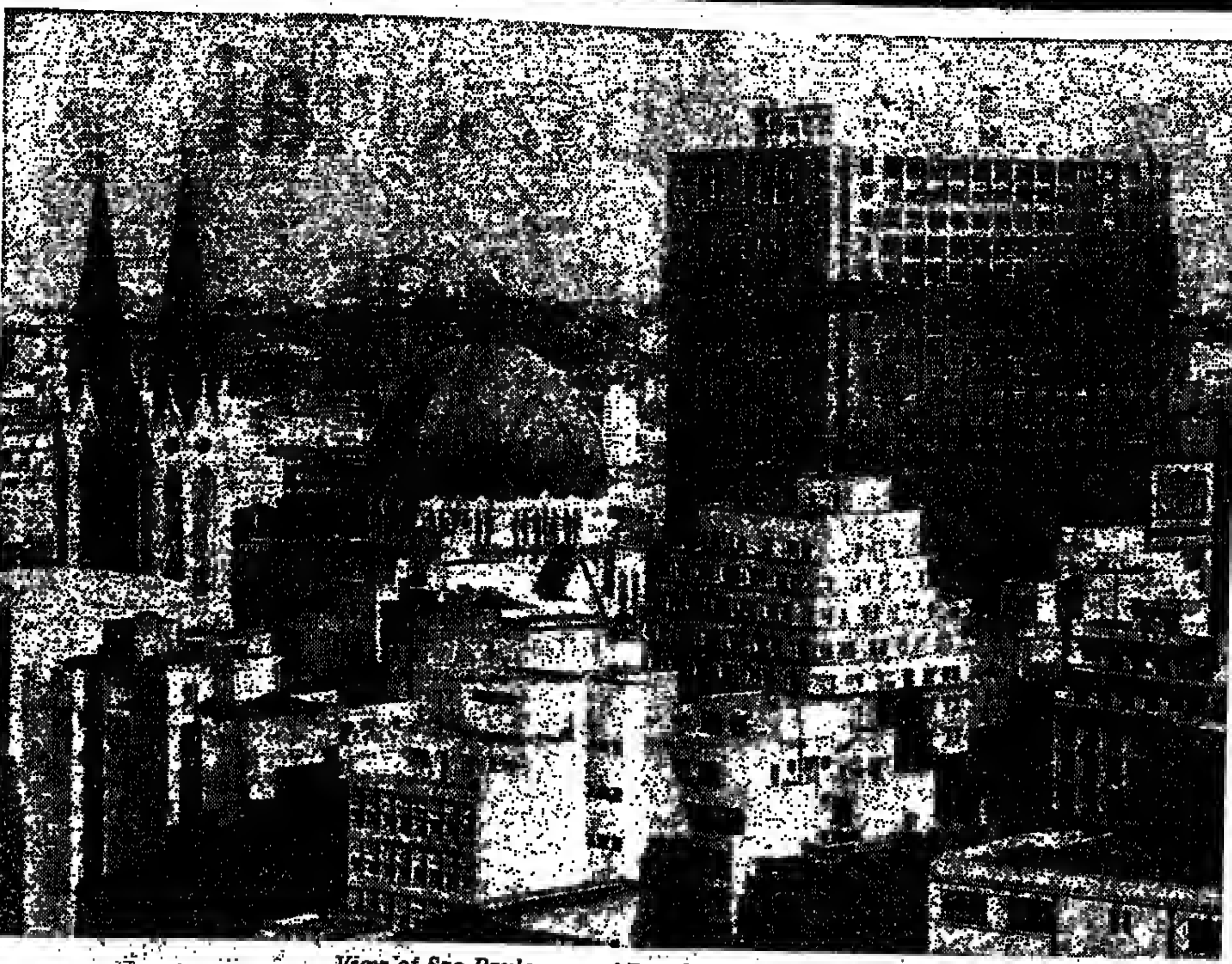

View of Sao Paulo, one of Brazil's principal cities.

Some dependence on U.S. favour

THE ADVENT of Mr. Jimmy Carter to the Presidency of the U.S. bas injected another note of uncertainty in the international banking scene in Latin America.

The countries of the region, oil producers and non-oil producers alike, bave bean active over the past year in borrowing to meet their development needs. About the creditworthiness of a borrower like Venezuela, which digested $2.2bn. in two loans over the past 12 months, there can be no question. Ecuador, the continent's other member of OPEC, despite the erratic nature of the Ecuadorean government's policies, is generally looked on as a good credit risk. Bolivia, another oil exporter though not a member of OPEC, has had a good reception in the international money markets, a fact that is related to tha slowness with which the government of General Banzer bas exploited the advantage of its new oil wealth.

Hostile

After the upset and devaluatioo of the peso last year Mexico, Latin America's other main oil exporting country, is still getting a rather hostile reception in the mnney markets and lenders are still expressing caution about the accumulated foreign debt. Nevertheless the oil seems certain to flow out of Mexico's wells at a greatly increased rate for some time to come and the country's creditworthiness is virtually bound to improve. In tha five quarters to the end of March it raisad internationally nearly $1½bn.

It is when ooe turns to those countries which import oil, notably Chile, Argentina and Brazil, that the uncertainty begins. Brazil, the biggest borrower of all the developing countries, is still able to exert its old magic over the financial markets. In the fifteen months to the end of March, for instance, it was able to raise $4.15bn., a staggering sum even for a republic of 100m. people.

Part of Brazil's ability to continue borrowing is due to the dynamism inherent in the Brazilian pattern of financial development. Brazil consciously set out at the end of the last decada to run up a big foreign debt in the expectation that if that debt dere big enough the lenders would be as much at the mercy of Brazil as Brazil would be at the mercy of the lenders.

So it has turned out. Brazil's foreign debt is currently aronnd the $30bn. mark and many lenders are getting distinctly nervous about the future if Brazil continues to pile up its debts in tha next few years as it has been doing over the past few. Nevertheless some banks are so commited to the success of tha Brazilian economic experiment that they bave no alternative but to contioue lending.

The most recent indications of the trends of Brazil's balance of trade abow that there has been some recovery from the had results of last year. Strict government action to limit imports combined with better prices for Brazil's principal exports soya and coffee, bave managed to close the trade gap somewhat.

For tbe future bowever the outlook must still be squally. Brazil's balance of trade bangs on the question of its needs to import oil and all the indications so far are that the country's own efforts to extract oil from its own territory are progressing slowly. Brazil's bopes that the new finds mada in the early 1970s would bring the country rapidly towards self-sufficiency bave been disappointed. At tha same time it would seem that the prices Brazil will bave to pay for oil are more likely to rise than to fall.

In the light of the mounting difficulties of countries such as Brazil it is hardly a surprise that private bankers are calling with increasing frequency for the problem of the financial needs of the non-oil producing countries of the developing world to be sorted out by international agreement and with recourse to a strengthened International Monetary Fund.

Goodwill

Argentina and Chile are countries which share many of the problems experienced by Brazil, though Argentina bas the good fortune to be 85 per cent. self-sufficient in oil. Last year it was able to count on the goodwill of foreign lenders—indeed bad to count on their goodwill—to get some sort of order into the financial mess left by the successive Peron administrations which were finally swept from office in March 1976.

Sioce the beginning of last year Argentina bas been able to raise just over $1bn. and would have bad to declare a moratorium oo its foreign obligations if it bad oot done so. The enormously resilient Argantine economy bas also bounced back to give the country a surplus of perhaps $1bn. on its trading account last year, as compared to a deficit of about the same amount in 1975.

Meaowbile Chile bas come publicly into the market for loans for the first time since the military junta's coup of 1973. Directly after the coup the junta recovered a oumber of unpublicised loans but it was not until the beginning of March that the controversial government in Santiago decided to announce its needs.

Its call for monay bas met with a mixed response. On the one hand banks have sbown ioterest in getting on their books paper from a country which is baving to offer reasonably generous terms and which has not been in the market for years. On the other band the low level of the junta's competence in running the Chilean economy has dissuaded some lenders from participating in the loan. Some, too, bave been put off by the steep rise in the ratio of debt service to exports which Chile is currently registering, almost 40 per cent. at the end of last year compared to 14 and 13 per cent. respectively in 1973 and 1974.

Chila's reliance for its export income on copper, a metal wbose price shows little prospect of recovery in the near future, has also been seen as a negative factor.

But into the economic arguments surrounding lending to Latin America, Mr. Carter bas now introduced a new elemeot of politics. His drive to get the dictatorships of Latin America to improve their record of respect for buman rights bas led bim to adopt one aet of economic pressures on these governments already — the imposition of cuts in the military aid consigned to them by the U.S. It remains to be seeo whether the U.S. Administration will adopt any harsher measures if the military aid cuts fail, as is likely, to posh the governments in the direction Mr. Carter wants.

If it does and the attitude of the U.S. becomes more bostile to them theo the problems they will face in borrowing will become more difficult.

Hugh O'Shaughnessy
Latin America Correspondent

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workers, which sharply cut into earnings from the export of citrus, highlighted the state of labour relations. Whereas in 1976 the rise in wages was around 32 per cent. as compared with a leap in the consumer index of 38 per cent., much if not all of this differential has been wiped out by the wholesale concessions made by the Government to the civil service and other public bodies in the pre-election period, with the result that industrial wages will inevitably rise too. So far the industrialists have refused to negotiate new wage agreements before the present ones expire at end-1977. These wage increases are separate and additional to the automatic cost-of-living increments payable from April 1.

In fact not only wages and salaries but practically the whole of Israel's capital market is linked to the cost-of-living index, which explains why despite the drop in wages in real terms disposable personal income did not decline. It is estimated that at least half of all Israeli families hold index-linked Government bonds of one kind or another (some compulsory war/immigration loans, others bought voluntarily as a hedge against inflation) or participate in savings schemes and/or pension and provident funds fully linked to the index. As of now some I£90bn. in bonds have been issued.

Debt service

The burden which this imposes (and the inflationary accelerator which it presents) is underlined by the fact that no less than 25 per cent. of the draft budget for 1977-78 (currently frozen) is earmarked for debt retirement and service (both foreign and local). The indexation system has in fact turned into a sorcerer's apprentice. The Government needs the money to finance its budgetary expenditure and is of course interested in maintaining the extraordinarily high level of personal savings.

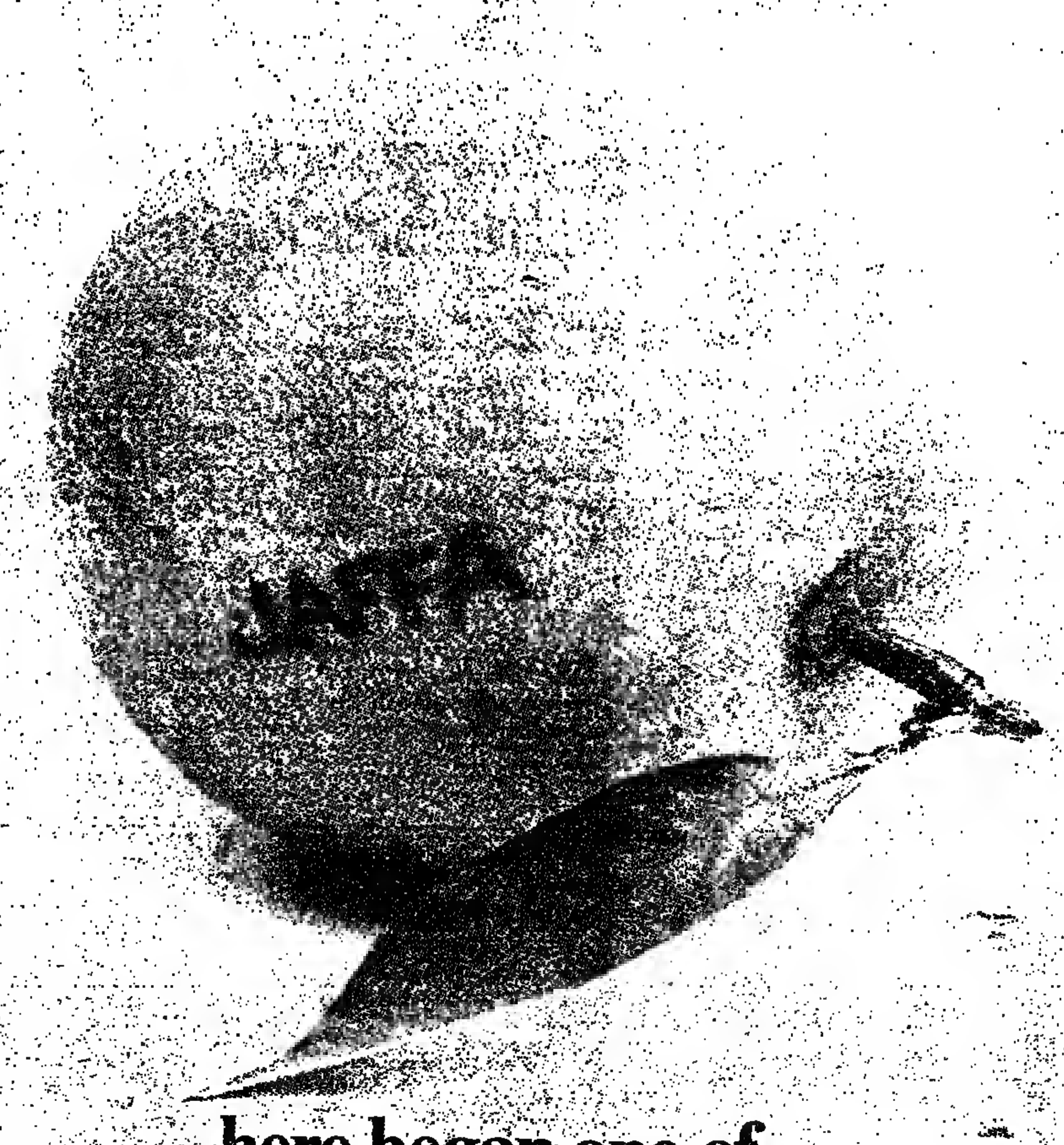
In order to put on some sort of brake the Government cut the linkage of bonds sold to the public from 100 to 90 per cent. at end-1975 and to 80 per cent at end-1976. The immediate reaction was a sharp fall in purchases by the public, with a I£5bn. gap now expected between new sales and redemption in the coming 12 months.

Since the Government continues to issue 100 per cent.-linked bonds to pension funds and to the banks for their linked long-term savings schemes, the public has turned from direct purchases of bonds to these schemes, though the net balance of private savings declined in 1976. At the same time the stock exchange has witnessed a sudden and strong revival of interest in shares, not least among those of the banks, because of fears regarding the future of index-linked bonds.

Banking operations continued profitable during 1976, though the rise in both before and after-tax profits was at a rate lower than that of inflation. Earnings per share also declined because of the dilution of stock. In view of the rapid monetary expansion all of the big banks have floated stock issues combined with convertible debentures, most of them with option coupons attached, so as to broaden their capital base. Profitability—though still high—has also been reduced by the fines which the central bank puts on all credit extended by the banks beyond the liquidity ratio. With competition strong between the banks and demand for credit expanding in the face of rising prices, the banks throughout most of 1976 deliberately exceeded the liquidity limits so as to accommodate customers. (The volume of current accounts has naturally not expanded as quickly as time deposits, which pay 18 to 19 per cent. before tax) and thus, with index-linked savings schemes, prove more attractive for funds not required immediately. However, with demand for funds to buy foreign currency declining towards the end of the year, this excess demand for credit slackened.

On the other hand, profits were bolstered by the constantly expanding volume of foreign business, with the "Big Three," first and foremost Bank Leumi, followed by Bank Ha'poalim and Israel Discount, expanding their overseas subsidiaries and branches.

Lore Daniel
Tel Aviv Correspondent



Key role in industrial development plans

THE SOUTH Korean banking system, largely patterned after its Japanese counterpart, is considered part of the country's ambitious development programme, operating under tight Government control.

The role of banks in Korea is not exactly on the lines of those in advanced industrial nations, as they are not so much commercial or profit-oriented institutions. As one foreign banker in Seoul put it: "South Korean banks have imposed on them social obligations that go beyond normal banking operations."

Except for 10 provincial banks which are relatively new and are limited largely to their respective areas in business jurisdiction, all South Korean banks are either wholly or partly owned by the State.

Authority over the banking community lies technically with the central bank, the Bank of Korea. Its prime function is credit control by means of reserve requirements, bank rate and open-market operations. It is, however, virtually subordinate to the Ministry of Finance, as is the case in Japan.

The Finance Minister chairs meetings of the Monetary Board, set up in the central bank to act as the "supreme policy-making organ" for the Korean banking system. He can request reconsideration of decisions made by the board.

There are five city banks with national networks as the mainstay of South Korea's commercial banking. But they are partly owned by the Government whose equity shares range from 25 per cent. to 33 per cent., enough to enable it to exercise full influence over them. The Government had once planned to sell its shares and leave all city banks in private hands. This now seems to be only a remote possibility.

The magnitude of the five in the domestic banking community is apparent. As of the end of January last their market share in the total deposit money banks stood at 55 per cent. The 10 provincial banks took 11 per cent. of the market. The five are the Korea First Bank, the Commercial Bank of Korea, the Hanil Bank, the Choheung Bank, and the Bank of Seoul and Trust Company (a merger of two banks).

An unusual feature of the Korean banking system is the existence of special banks wholly owned by the State.

Created to meet special needs in major development areas, they include the Korea Development Bank, the Korea Exchange Bank, the Export-Import Bank of Korea, the Korea Housing Bank, the Citizens National Bank, the Medium Industry Bank, the National Agricultural Co-operatives Federation (NACF) and the Central Federation of Fisheries Co-operatives.

These banks are responsible in the main for extending long-term loans to industries. Of a total 4,530bn. won (equal to £5.45bn. as 830 won equals £1) in outstanding loans at all banks as of January last, the special-purpose banks accounted for 46 per cent. Nearly 30 per cent. of the total amount, or 1,347bn. won, was in long-term loans to help industries purchase plant and other equipment.

The Korea Development Bank, which has expanded very rapidly as the major bank specialising in financing long-term development projects, was responsible for 36 per cent. of loans extended by all special banks as of January last. The next largest portion, 17.3 per cent., was furnished by the NACF, which plays a vital part in spreading wealth from the cities to the rural areas.

Network

The Korea Exchange Bank, set up in 1967 to deal with all foreign exchange services including the opening of letters of credit (though the five city banks also handle them now), has a wide network of overseas branches and representative offices including one in London. It is also engaged in domestic deposit and lending operations. The Export Import bank, established last year, is exclusively for financing export credits.

The Citizens National Bank, created in 1961, provides small loans to workers and salaried people, while the Medium Industry Bank specialises in lending to small and medium-sized companies. The Korea Housing Bank, founded in 1967, finances private house construction with funds partly raised through sales of housing lottery tickets every week.

Although the Government is actively promoting the stock market as a relatively new way of popular investment savings, banking in Korea has achieved an impressive growth in recent years. In terms of deposits, the banks as of the end of January last grew by 35 per cent. compared with the previous January. Deposits outstanding at all deposit money banks that exclude the Korea Development Bank and the Export-Import Bank totalled 3,760bn. won (£4.53bn.).

The net increase in time deposits during the first three months of this year amounted to 389.1bn. won, a 65 per cent. gain over the comparable period of last year. This trend is expected to continue, though at somewhat slower pace, in the next few years as the total demand for domestic funds grows rapidly under the fourth five-year Economic Plan (1977-1981).

In 1975 domestic savings met 58.7 per cent. of the country's investment requirements. The rest was covered by foreign savings.

A total of 16,645bn. won (£20bn.)—92.4 per cent. of what will be needed for investment during the 1977-1981 period—is planned to come from domestic savings. The country will depend on foreign loans and equity investors for the remaining 7.6 per cent.

In order to attain an annual average of 9.2 per cent. growth in the economy during the five-year period, the plan calls for returning an average 26.2 per cent. of Gross National Product to investment. The importance attached to conventional banks is manifest in the current Government drive to have them expand their capital base and their operations and gradually stretch their wings abroad.

As a Korean banking venture abroad, a group of seven Korean banks led by the Korea Exchange Bank last year, jointly set up a merchant bank in Hong Kong called Korea Associated Finance, with the capital of $5m. On the other hand five industrial companies got together to found a merchant bank in Seoul in a joint venture with Lazard Brothers of the U.K. last year.

There are also 11 foreign banks operating a branch each in Seoul (no branches are authorised outside Seoul). The first to open was Chase Manhattan, in July 1967, and the Chartered Bank came in seven months later. Besides the only British Bank, the foreign bank branches include four American, four Japanese and two French. They are required to pay the same interest rates on deposits and charge the same rates on loans as the domestic banks (but of course exchange control is strict).

Complicated

South Korea's interest rate structure is one of the most complicated in the world. Basically the bank rate on time deposits maturing in more than a year as fixed by the Monetary Board last August is 16.2 per cent. a year. On the lending side the general rate is 17 per cent., with 19 per cent. for overdrafts.

In a move to reduce the impact of high interest on industry, a prime rate system was adopted last year under which best clients are offered rates one percentage point lower than normal.

Concessional lending rates are applied to different industries. For instance, export industries in general are entitled to short-term loans with a preferential interest rate of 8 per cent. to meet fund requirements between the time of receiving orders and the delivery. They are supplied with loans charged with a 2.5 per cent. spread over the going Eurodollar rate to finance imports of raw materials needed for export manufacturing.

Companies building heavy and chemical industry factories have access to special loans under the National Investment Fund which bear the interest rate of 13 per cent. Farmers pay an annual interest of 13 per cent. Private house-builders can get loans at 8 per cent.

By a Correspondent

The [illegible] "Morning Glory" market at Asakusa in Tokyo—A woodblock print.

Pound

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ing of gilt-edged stock appear to have been exaggerated.

There does appear to have been an increase in such buying of gilts in March, though it is not yet clear how far private sterling balances have risen. The expectation of the authorities is that the ending of the tax exemption for overseas holders of new gilt issues coupled with the recent sharp fall in interest rates—narrowing considerably the differential U.S. rates—will lead to some outflow in the coming months. If this does not occur, then the Government will presumably have to consider taking more direct action.

This all ties in with the controversial issue of whether the Government should continue to hold down the exchange rate as it has now been doing—with only occasional need to intervene to support sterling—for four months. There are two broadly different views with the Government somewhere between. There are those, such as the London Business School, who argue that the pound ought to be allowed to float freely since a tight monetary policy cannot hope to succeed unless it is allowed to have its full effect on the exchange rate: an upward movement of the rate under the pressure of market forces is the most efficient way of reducing inflation. Anyway if the rate is held deliberately low, the tight monetary policy will be frustrated by the inflow of funds. The present position, on this view, threatens the worst of all possible worlds with a recession and continuing high rates of inflation.

The alternative view, put forward by Mr. Wynne Godley and, in a slightly different form, by Mr. Bryan Gould, a Labour backbench MP, is that the exchange rate ought to fall further to stimulate export competitiveness and to allow the necessary restructuring of industry against the background of the temporary benefits of North Sea oil.

Calculations based on comparisons of international rates of inflation are treacherous and depend not only on the base date used but also on the exact measure adopted—relative unit wages costs, export price competitiveness or export relative profitability.

There is certainly no clearcut conclusion and the Government has taken a middle ground for the present, preferring stability after last year's upheavals, reflecting the views of many businessmen, with a longer-term commitment to preserve competitiveness. Indeed certain IMF staff now take the view that some weaker countries such as the U.K. may not have let their currencies fall far enough yet to reflect the continuing effect of the high rate of inflation.

The NEB's minor and major ventures

BY MARGARET REID

LEATHER, UNDER-SEA surveys and gelatine, if not exactly the Lewis Carroll's shoes and ships and sealing wax, are just a few among the rapidly increasing range of investments now held by the National Enterprise Board, whose chairman is Lord Ryder.

To many people, the State-owned NEB is best known as the controlling shareholder in British Leyland which, along with the Rolls-Royce aero-engine group, the Herbert machine tool company and a big stake in Ferranti, are its largest and most long-standing holdings.

But in the past few months, the NEB, set up by the Labour Government in 1975 to extend public ownership into profitable manufacturing industry, has branched out into an extensive range of new holdings in medium-sized and smaller companies, focusing fresh interest on its industrial investment policy.

These ventures have embraced £2.5m. backing for a joint enterprise, United Medical International, with Allied Investments for the export of "packaged hospitals" against strong world competition, and a £550,000 stake in the private Computer Analysts and Programers.

They have also included the controversial £3m. project to participate in a joint tanning and gelatine venture with part of the existing interests of the Barrow Hepburn Group, a scheme recently unsuccessfully legally challenged by other tanners, who argued that it would breach the State-owned Board's guidelines.

After its rapid succession of recent smaller investments, totalling over £15m., the NEB now has stakes in 23 companies, a figure which could well rise much further by the end of this year. Just how extensive are its other activities is shown by the fact that Lord Ryder, the one-time financial journalist and former chairman of the Reed International newspaper and industrial group, estimates that British Leyland only absorbs some 20 per cent. of his time, however many headlines BL captures.

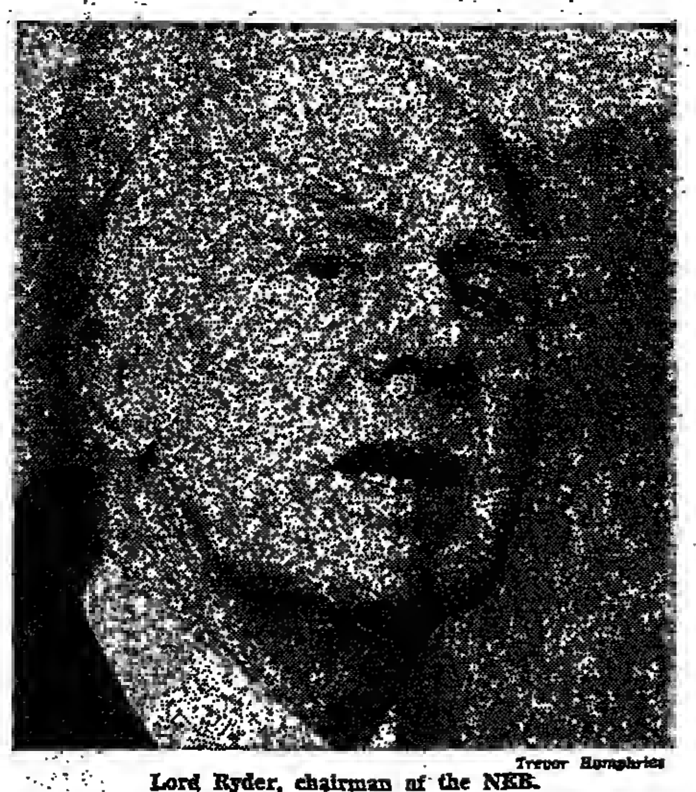
But that is a fifth of a longer-than-average working day, because it is well-founded Fleet Street and Whitehall legend that Lord Ryder, who is 60, begins work around 7 a.m., at his office high up in the NEB's quiet Grosvenor Gardens premises, near Victoria Station.

Profit

This week, the NEB will produce its first report and accounts, for the 13½ months from its birth on November 20, 1975, until the end of 1976. It is likely that these will show for the period an operating profit before interest payments of approaching £100m., and pre-tax profit of around £50m., thanks largely to British Leyland's sizeable profit in 1976.

The NEB is also likely to figure in the rationalisation of the heavy electrical plant industry. Although it is not clear precisely what role the NEB may play in the deal being discussed between GEC and Reyrolle Parsons on turbo-generators, the chances are that it will emerge as a key participant in the new structure—and probably soon.

Now that the NEB's clutch of investments in companies, some controlling holdings and some not, is so briskly expanding—and in a few cases attracting opposition—it seemed appropriate to ask Lord Ryder about his Board's strategy, particularly in the private sector. A special point of interest was how it compared with the industrial reconstruction activities of



Lord Ryder, chairman of the NEB.

Trevor Humphries

the 1964-70 Labour Government's Industrial Re-organisation Corporation, which backed the emergence of the former British Leyland Motor Corporation, and of GEC in its present form.

"Strategy? There are several strategies," explained Lord Ryder. "We are not set on any course of big being beautiful, but that does not mean there are not areas of reconstructing." Clearly the whole pattern of the heavy electrical power station equipment industry up to the 1980s is a major preoccupation, as the spotlight on the Parsons-GEC situation illustrates.

Another important sector whose structure is obviously receiving the NEB's close attention is telecommunications, where the recent lay-offs at Plessey, part of a general problem over the industry's employment, have been a symptom of the need for a very close look at the industry's future. Certainly in the opinion of experts very near to the NEB the rapidly evolving technology in telecommunications could point to a very major fall in the industry's labour force within the next few years—a prospect likely to lead to the NEB being brought closer to the situation.

Of British Leyland, for whose present course he fathered the plan in the Ryder Report as the Government's industrial adviser before going to the NEB, Lord Ryder would only say: "It was always envisaged in the Report that it would be a long haul, with the two vital factors being industrial relations and the need for quite massive capital investment. Both of these still apply and no matter how much investment there is, it won't transform the situation unless industrial relations also improve."

Another important source of future business for the NEB is likely to be found in the studies of the 39 sector working parties, by industry, of the National Economic Development Council of which Lord Ryder has been a member since December 1975. The Council itself, usually chaired by the Prime Minister or the Chancellor of the Exchequer, brings together other economic Ministers, chiefs of industry (including nationalised industry), leading trade unionists, and some other experts.

Lord Ryder sees the NEB as an "action arm" to give practical effect, in certain cases, to the work of the sector studies. In four industries, it is now actively working on a suitable follow-up policy, while four others are in a research phase which he calls the "library stage."

In office machinery, for example, where the NEB has already given backing to Twinlock, electronics, where it has backed Sinclair Radionics, diesel engines and trucks, work is well advanced.

Hostility

What of the NEB's other smaller investments to date, in industries as varied as engineering, submarine surveys in the North Sea — and clock making where the takeover of the recently loss-making Thwaites and Reed has led to some hostility in the trade? Is there not something of an appearance of random selection about some of these?

Against the background of widespread political and economic concern about Britain's sluggish industrial investment—manufacturers' capital outlays fell 13 per cent. last year — Lord Ryder insists on the need for energetic stimulative action in various contexts.

"We do know this gap (the need for finance for certain companies) exists. Sir Eric Roll's NEDC committee has investigated it. It is not the ICIs, but the small companies which have the problem. In the North West and North East"—where the NEB has regional directors—"traditional industries are dying and there are not going to be major new industries growing up overnight," he said.

"You have to plant a lot of acorns and hope they will grow into oaks. It is very often the private, as distinct from quoted, companies which have the need, companies which are ready to grow into the next size league but are without the necessary resources and which do not find going public as easy as formerly."

Would it not be better to let these cases be dealt with by private sector investment institutions, such as the City's new equity bank, Equity Capital for Industry (ECI), the long-established Industrial and Commercial Finance Corporation, owned by the bank-backed Finance for Industry? Or by new bodies like Moracrest Investments, formed by the Midland Bank, Prudential Assurance and the British Gas central pension funds, precisely to back smaller companies?

"I believe we have been a real influence in getting some of these other institutions going," Lord Ryder replied. "ECI would never have been thought of, but as a riposte to us. I don't mind who does the job of backing investment, but we just can't afford as a country that it should not be done.

"I don't believe there is any competition and I would welcome the opportunity for the equity bank and us to do something together."

At present, most of the smaller concerns in which the NEB invests are the result of applications to it for finance, though only one in some seven or eight of those who ask passes muster and gets the Board's cash backing. In accordance with the guidelines issued by the Government — requiring an appropriate rate of return—prospective income on an investment is tested by certain standards, Lord Ryder explained. As a general criterion, which may be adapted in some cases, "we take the return on the best quarter of the quoted companies in the industry in question and if we cannot see evidence of getting that on the prospective investment in two-three years, then it's not for us."

Valuation

Considerable investigation into the marketing situation in the industry of a prospective investment is carried out by the NEB, merchant bankers are called in where required, particularly for a valuation for a deal, and management consultants are engaged in some cases.

Could the selection process, which is relatively quick, lead to the picking of the wrong cases for NEB backing? "Quite clearly, they will not all be winners, but that will not be due to lack of care," Lord Ryder said. "In many cases, we must participate in a venture capital role if we are to stop these bright ideas being taken out of the country to the U.S. or Japan. You are creating new markets and it would be stupid to pretend you can be 100 per cent right.

"But the problem in this country is that the rewards of success are so limited that people so often go for caution to make enough allowance for the downside risk, against the limited potential gain." In one case, it appears that the NEB is expecting to back an untried new invention in which it sees a 70 per cent. chance of success.

Another major preoccupation of Lord Ryder—and a special concern also of Mr. Leslie Murphy, the merchant banker who is the NEB's deputy chairman and who was formerly deputy chairman of Schroders—is Britain's relatively poor showing in world markets in competing for very major, long-term export orders. "I feel that international contracts now running into more than a thousand million pounds are going untendered for by Britain. A big problem is the need to allow for inflation in tendering for a three-five year contract," Lord Ryder remarked.

The NEB has been worriedly examining the reasons why a British consortium, in which it tendered with GEC and RTZ for a £100m. electrical contract in Dubai, lost by a wide margin. The Board was also a participant in a consortium, including British Rail, GKN and GEC for a very large Venezuelan rail contract, but the British partnership withdrew—a move apparently justified when the Venezuelans last month rejected all contracts which were submitted.

This field, in which the NEB has not as yet achieved much, looks like being the one offering the most intractable challenge to the Board.

Letters to the Editor

The midnight hour

From Mr. D. Rickard

Sir,—In view of the extensive correspondence on the subject of taxation of overseas earnings earlier in the year I am surprised that there has been little comment on the proposals contained in the current Finance Bill on this subject.

Initial reports led one to believe that an employee would be entitled to a 25 per cent. tax free deduction from the proportion of his [illegible] attributable to duties performed overseas provided that he had been working abroad for at least 30 days of the tax year. This cannot be so since to qualify the employee must be absent from the U.K. at midnight on each day, as Michael Lafferty, in his article of April 23 made abundantly clear. The normal business day trip into Europe which usually covers a full working day would not, therefore, qualify. Likewise, each trip of more than one day for tax purposes would be reduced by one day and anybody, for example, going on two-day trips into Europe would need to spend a minimum of 60 working days abroad to qualify. Inevitably the effect of this would be to reduce dramatically the numbers of people who might otherwise benefit. A further effect would be to encourage people to stay overnight rather than make the effort to return to base late at night.

The choice of midnight as the magic hour is as intriguing as it is arbitrary. Just how many businessmen are in fact working at that time? If it really is necessary to state a specific time then surely it would be far more logical to use midday as the qualifying time. Those "at the sharp end of exporting" spend the minimum time abroad necessary to conduct their business and if the Chancellor is sincere in his efforts to encourage these people he should ensure that any benefits he intends to give are not whittled away by a mean interpretation of a well intended gesture.

D. C. Rickard.
"Langstrath," Queens Avenue, Maidstone, Kent.

British Airways policy

From Sir Frank McFadzean, Chairman, British Airways.

Sir,—British Airways is accused of a "lack of finesse" in your summary of our dispute (April 26). You base this on our decisions in relation to dismissal notices; alleged management organisation of other unions to assist us in keeping the airline flying; and on our belief that Left-wing elements exacerbated the dispute.

The method of disrupting the airline had been planned well in advance and men had been warned that failure to report for their rostered shifts would constitute a breach of contract. The action we took was deemed necessary to demonstrate in the best way we could that British Airways was not prepared to wait with arms folded while the airline and its passengers were disrupted at will by the unofficial activity of the AUEW men. To have acted otherwise would have been an abdication of our responsibilities.

To state that management organised what was unfairly labelled a "Blackleg Charter" implies that the unions are incapable of thinking for themselves. This is not so. The fact was that the trade union side of the National Joint Council was as perturbed as management at the effect of the stoppage on the job opportunities of their members. The operation of cash limits meant that capital expenditure and therefore the future expansion of British Airways would have to be reduced from the level that had been planned. The fact that a substantial part of the airline operated not only helped thousands of people to make their journeys, but also contained our losses which could well have reached £40m. necessitating a reduction in aircraft purchases.

We made our points on the Left-wing elements in the dispute because we had noted, as many trade unionists and journalists had also, a lot of [illegible] International Socialists and other similar groups with Press releases, pamphlets, bulletins, badges and banners at Heathrow. They made no secret of their involvement.

In summary our policy was to act fairly and firmly, but to do so in the interests of the majority of our passengers and our staff as well as the future prosperity of British Airways.

Frank McFadzean.
PO Box 10, Heathrow Airport, Hounslow.

Sterling and trade

From the General Secretary, Association of Professional, Executive, Clerical and Computer Staff.

Sir,—I am surprised that Bryan Gould, MP, (April 25) trots out this tired Treasury argument that a higher exchange rate would mean higher unemployment.

With the production of oil from our own resources we need a lower ratio of imports and exports for any given level of activity. This means that inevitably we do not need to export such a high proportion of our production and thus the relative level of sterling must rise. For years Treasury doctrine has basically been that the economy should have low demand at home to reduce our import proclivities and a low rate of exchange for the pound to secure sufficient exports to pay for our imports and to provide sufficient work to offset the low level of home demand imposed by the Treasury.

With a higher exchange rate and a lower proportion of foreign trade the economy can be run at a higher level and because we have a great deal of spare capacity this will, in fact, reduce unit costs and will make our ability to compete greater both in respect of competing with imports at home and in respect of competing in a range of export markets.

The fact that the economy can be run at a higher level will be far more decisive in reducing unemployment than any over-devaluation of the pound of the kind advocated by Bryan Gould. Moreover the achievement of a satisfactory balance of payments and a low inflation rate would enable us to reduce interest rates to reasonable figures for the first time in 20 years and thus provide the real basis upon which the regeneration of British industry can be effected. It is certainly not possible to regenerate British industry while it is fettered with one of the highest interest rate structures in the world.

In a similar situation in 1969 when the last Labour Government had done all the hard work necessary to correct the balance of payments, the Treasury and the Bank of England insisted that there should be no real reflation until the reserves had been replenished. John Hughes, of Ruskin College, then advocated a policy of high wage claims on the argument that if the Government would not reflate the economy the trade union movement should do so. The result was a further bout of inflation and the reserves melted away.

The parallel today is obvious. The Bank of England and Treasury are once again looking for a transient restoration of our reserves instead of giving first priority to getting the economy on to a sound non-inflationary basis. The imported inflation of 1976 based on the tremendous fall in the pound is completely undermining all the efforts made by the Government and the trade union movement to counter inflation over the past two years. To refuse to allow the pound to rise at this stage when it could certainly reduce prospective inflation by 2 per cent. would be criminal.

Certainly as far as I am concerned there can be no basis for calling on trade unions to cooperate in getting the economy right if their sacrifices are thrown away by this pig-headed policy which failed to work in 1969 and will certainly fail in 1977 unless we tackle the fundamental causes of current inflation of which the devaluation of the pound is the most serious factor.

R. A. Grantham.
22, Worple Road, S.W.19.

Exchange rates

From Mr. W. Grey

Sir,—Why, may one ask, are Mr. Bryan Gould (April 25) and others of his persuasion fighting so shy of a rising pound when earlier, it seems, they had quite happily acquiesced in its free fall?

Whether "our exports are now less competitive than at any time since 1972" is neither here nor there—"You can take your own, very wide, choice," as Samuel Brittan, examining three different bases of comparison (April 28), has put it. What matters is whether the exchange rate should be allowed to find its own level, and to move freely in either direction, come what may.

Ultimately the only valid criterion, as well as the most effective safeguard of competitiveness, is the market place. But just as nobody in his senses wishes to "push up" the sterling rate against the market's better judgment, so not even the staunchest advocate of exchange rate stability would wish to see it pegged for bogus reasons.

W. Grey.
12, Arden Road, Finchley, N.3.

Limits on speed

From The Principal Deputy Secretary, British Medical Association.

Sir,—It is difficult to see what a survey of the effects of speed limits on German autobahnen (April 27) has to do with the recent decision of the Minister of Transport to raise speed limits on general purpose single carriageway and dual carriageway (*not* motorway) roads in this country.

The effects of the imposition of existing limits on these roads in December, 1974, have been subjected to a detailed statistical analysis, as a result of which "significant" reductions were found in the injury accident rates. It is therefore important to appreciate that the decision to increase the limits on these roads can be justified only on grounds that they have not been as effective as might have been expected in conserving fuel, which is, of course, the reason why the limits were imposed in the first place.

The arguments deployed by the Minister to show that his decision will not adversely affect the injury accident rates are based on experience gained in raising limits on urban roads, where speeds are often restricted by sheer volume of traffic as much as by speed limits. On rural roads where the prospect of death or serious injury is far greater, this argument cannot be used. The Minister also argued that compliance with existing limits fell between 1975 and 1976 and that "they are difficult to enforce to the extent needed to maintain respect for road traffic laws." What the Minister did not go on to say is that figures for 1976 show a 4½ per cent. increase in casualties over 1975 with a 10 per cent. increase in the last quarter. Over the year there has been an 8 per cent. increase in deaths from accidents on the same roads on which the Minister has decided to raise limits.

The pool of permanent incapacity in the community from road accidents is steadily increasing. The three priorities are to increase the degree of seat-belt-wearing; to improve the procedures for dealing with drinking drivers and to control speeds. The record of two years of legislative activity in this important area does not bear examination. A Bill to enforce seat-belt wearing has again been thrown out, and there is no legislative time for the proposals of the Blennerhassett committee on drinking and driving to be considered by Parliament. On the other hand, an Act has been passed exempting Sikhs from wearing crash helmets and speed limits are to be increased.

Speed limits are particularly effective in reducing accidents which result in death or serious injury. Experiments on selected stretches of road show that repeated stepping-up of enforcement rates results in substantial casualty savings, not only on the selected roads, but on adjacent roads as well.

At the end of the debate the Minister was asked whether he agreed that more people would be killed or injured as a result of his decision. "We want to save life, but we like driving fast," he explained, adding "It is dangerous in some respects, but that is life." (Hansard, House of Commons, April 6, 1977, cols. 519-520.)

J. D. J. Havard.
Tavistock Square, W.C.1.

Incomes policy and added value

From Mr. B. Rutherford

Sir,—The rise of added value as a tool of social engineering has been remarkable indeed. It began life as a means of explaining, though not actually calculating, national income, and for many years this was its only use. Some time ago it was introduced as a base for indirect taxation, and recently it has been proposed as a base for, variously, a new system of management accounting, a new scheme for financial reporting and an improved method for providing labour incentives.

Now Dr. F. E. Jones and Mr. J. Curry (April 27) advocate an incomes policy based on added value. Specifically, they argue that the larger the proportion of a company's added value that is taken by labour, the lower the rate of increase in wages that company's workforce should enjoy. Begging, for the moment, the question of what is meant by added value, such a scheme would seem to imply that all physical units of labour (man hours) produce equal quantities of added value, expressed in money terms. It would thus follow that differences in the proportions of added value going to labour between different companies would reflect differential bargaining power. It might thus be equitable to allow weaker groups to become better off. Questions of efficiency in the generation of added value would not arise since all workers are by definition equally efficient, no matter in what jobs they find themselves.

The world, of course, is not like this. The proportion of added value which is taken by a company's workforce will depend, at least in part, on the degree of labour intensity. Suppose, for example, a company finds that it can sack half its employees and replace them with machinery, so that its added value does not alter. There is no reason to suppose that the reduced workforce should receive larger wage increases than that of the company next door which continues to use old technology. Indeed the return on the additional capital employed may exceed the savings from dismissals. In short, the proportion of a firm's added value which is taken by wages is neither a measure of economic efficiency nor of social justice.

Perhaps I might mention some of the problems in establishing the meaning of added value, and suitable measures thereof. Dr. Jones and Mr. Curry do not define it, although they do assert that it provides a "true measure of efficiency." It is normally defined as the wealth created by a company's own efforts, that is sales revenue less input costs. This in turn raises the issue of whether the value to society of an enterprise's output is encapsulated in market prices. If the value of rail services exceeds the price charged for them, there seems no reason why railway workers' wages should be restricted to market price-based added value, as Dr. Jones and Mr. Curry suggest.

Accepting the validity of market prices, there remain numerous problems of accounting measurement, including the now notorious use of historic cost, which may explain some, or indeed all, of the trends in your correspondents' statistics. Arbitrary, but disclosed, treatments of various items, for long the fall-back of accountants, will not do if the data is to be used for making decisions about income distribution, as advocated by Dr. Jones and Mr. Curry.

If added value is a measure of increments to social wealth, it is clearly vital that an increment to wealth should be recognised as added value only once. Suppose a manufacturing company uses some of its added value to pay interest to a financial institution, which in turn pays a dividend. Is the distribution to the institution to be regarded as added value in its hands also? If so, added value has been double counted, and the employees of the institution may receive generous rises even though the workers in the manufacturing sector who physically produced the increment to social wealth do not. If the financial institution's receipts are not treated as added value, its employees may find their wage bill exceeds what little added value the institution can muster, and hence their wages will be frozen. If financial institutions are to be treated differently by your correspondents, how will mixed enterprises (that is, the vast majority) be treated?

The problems I have mentioned, and many others, are emerging from the debate on added value being conducted in academic and professional accounting literature. It is to be hoped that those who wish to employ the concept, for whatever purpose, will take note of this debate.

B. A. Rutherford
(Lecturer in accounting).
Eliot College, The University, Canterbury, Kent.

GENERAL

Civil and Public Services Association conference opens, Floral Hall, Southport—executive recommendation expected to oppose further phase of pay restraint.

Amalgamated Union of Engineering Workers (engineering section) conference opens, Winter Gardens, Eastbourne.

Duke of Gloucester opens Conference-Tero 77 "Profit through care" organised by Department of Industry Committee for Terotechnology, Grosvenor House, Park Lane, W.1. Address by Sir Monty Finniston "The Industrial Technologies."

New regulations by Bank of Spain to reduce speculation against the peseta.

To-day's Events

Confederation of British Industry employment policy committee meets.

Talks reopen on Indian strike delay to jute exports.

William Tyndale teachers at North London Teachers' Association meeting, Stapleton House, Holloway Road, N.7.

London Chamber of Commerce and Industry, ECGD Users Seminar, 69, Cannon Street, E.C.4.

Sir Robin Gillett, Lord Mayor of London, receives party of members of New York Women's Bar Association, Mansion House.

PARIAMENTARY BUSINESS

House of Commons: Debates on rural transport and on the construction industry. Redundancy Rebates Bill, remaining stages.

House of Lords: Administration of Justice Bill, second reading. Construction of Roads (Time Limit) Bill, second reading.

OFFICIAL STATISTICS

Building Society house prices and mortgage advances (first quarter).

COMPANY RESULTS

British Home Stores (full year). Mothercare (full year). Tootal (full year).

COMPANY MEETINGS

See Week's Financial Diary on Page 40.

COMPANY NEWS + COMMENT

Laird tops £8m. after better second half

A SECOND-HALF rally by Laird Group lifted pre-tax profit in 1976 from £6.84m. to £8.06m. on sales ahead by £22.31m. at £110.87m. This followed a lower profit at half-time of £3.04m. against £3.53m.

Looking ahead to 1977 Sir Ian Morrow, the chairman, states that steel seems set for another difficult year but for the rest of the group there are good opportunities for continued growth.

Group cash and net assets should be significantly improved by the receipt of compensation for the subsidiaries Scottish Aviation and Cammell Laird Shipbuilders, which have been nationalised. Negotiations over the compensation are now in progress.

On a current cost accounting basis profit would have been reduced to £3.7m. by elimination of stockholding gains of £3m. and additional depreciation of £1.4m.

Stated earnings per 25p share were better at 14.89p (9.49p) and forecast net final dividend of 1.32p lifts the total to 2.63p (2.39p).

Net cash balance for the year was down £2.65m. (up £5.33m.). At year-end capital commitments totalled £3.31m. (£2.95m.) for which £2.06m. (£1.49m.) was authorised but no contracts placed.

Prudential Assurance Company holds a 10.83 per cent. interest in the group.

Three of the group's four divisions produced substantially higher profits with the subsidiaries in West Germany and France contributing over one-third of total profit. These more than made good the setback in metal industries, the chairman states.

An analysis of sales and profit shows in £ms.: metal industries £31.58 (£29.54), £0.14 (£3.1); transport engineering £25.72 (£22.58), £2.74 (£1.81); motor components and other engineering £43.61 (£20.76), £4.8 (£4.5), ship-repairing £9.97 (£9.69), £0.30 (£0.56).

Introduction of new products has been particularly significant in the motor components and other engineering division.

Largely due to the growing world demand for minerals there have been increased opportunities for the supply of the company's long-distance conveying systems. New subsidiaries have been opened in the U.S. and Australia and the current year will see further increase in U.K. capacity.

Orders worth £110m. have been taken for the supply of rapid transit trains and cars for the Hong Kong and Tyne and Wear systems. Worldwide developments in this field over the next few years will provide further opportunities, Sir Ian says.

Over £1m. has been allocated for the development of two new buses. Orders have already been taken for the new double decker and substantial export sales are expected for the single decker.

	1976 £000	1975 £000
Sales	110,874	88,551
Pre-tax profit	8,061	6,845
Tax	2,158	3,082
Net profit	5,903	3,762
Extraord. debit	*402	—
Attributable	5,501	3,762
Dividends	1,042	947
Retained	4,459	2,811

*Nil redundancy and closure costs in shiprepair and engineering subsidiaries.

See Lex

BOARD MEETINGS

The following companies have notified dates of Board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available whether dividends concerned are interims or finals and the sub-divisions shown below are based mainly on last year's timetable.

TO-DAY

Interims—Border and Southern Stockholders Trust, G. R. Dawes.

Finals—Bishopsgate Trust, British Home Stores, Clement Clarke, Cope Sportswear, Corinthian Holdings, Lake View Investment Trust, Mothercare, William Pickles, Jefferson Smurfit, Tebbitt Group, Tootal, Tysons (Contractors).

FUTURE DATES

Interims—

Bellway Holdings	May 4
Pearce (C. H.) (Contractors)	May 6
Plaxton's (Scarborough)	May 21
Whessoe	May 5

Finals—

Boots	May 19
Derilend Stamping	May 11
Guardian Investment Trust	May 5
J. B. Holdings	May 4
Photax (London)	May 4
Randalls Group	May 9
Sabah Timber	May 6

Liden looks to recovery

DRASTIC ACTION to reduce the level of operating expenses has been taken over the last eight months in the whitewood manufacturing division of Liden (Holdings), says Mr. N. Clothier, the chairman. This action will continue in an effort to restore profitability to the group, be adds.

Mr. Clothier goes on to say that be believes the worst will be over within this year. Looking to the future, he can see both the plastics and the timber companies holding their current level of profit, with the real possibility that both will reach six figures in 1977, he says.

The whitewood company broke even in the month of March, members are told, and the chairman says that 1977 could prove to be the year of the turnround of the group as a whole.

In 1976, group pre-tax loss increased from £43,057 to £236,900, and as before no dividends were paid (as reported on April 5).

Timber and plywood importing and distribution made a profit of £73,237, and plastic injection moulding made £47,434, but whitewood furniture and accessories, which accounts for 53 per cent. of group turnover, lost £337,391. Mr. Clothier says that the directors are very concerned with the size and continuity of the losses on whitewood and they are doing everything possible to contain and even eradicate them.

The group is still burdened with the costs of maintaining the Tottenham premises, which were vacated in March last year, says the chairman. Overall, property costs in terms of rents, rates, light, heat and insurance came to just over £300,000 on turnover of £3.3m. Mr. Clothier says that this is a millstone around the neck of a manufacturing group such as Liden.

There was a bank overdraft of £173,111 (nil) at the year end, and cash at bank and in hand fell from £103,376 to £2,780.

Meeting, Leyton, E., May 25 at noon.

Manchester Liners

Though all its ships are trading profitably Manchester Liners needs a higher level of freight rates to obtain the necessary resources to provide reserves for future shipbuilding Mr. Robert Stoker, the chairman, says in his annual statement.

As reported on March 23, after losses of £0.54m. in respect of Morrell Mills Manchester Dry Docks Ship Repair Group and £0.41m. on the sale of a ship, pre-tax profit in 1976 was down from £2.22m. to £2.03m. on turnover of £50.37m. (£39.68m.). The net dividend was held at 5.025p.

Net liquid funds showed an increase of £0.44m. (£0.91m.) with bank overdrafts down £96,000 (up £1.23m.). Furness Withy and Co. holds 61.60 per cent. interest and Eurocanadian Ship Holdings 37.50 per cent.

All the company's ships have a market value in excess of book value. An extraordinary loss of £0.28m. is shown relating to a foreign loan on "Frontier" but the increase in its market value has not been taken into account, Mr. Stoker points out.

He says that the volume of cargo on the Canadian container service is satisfactory but freight rates have not increased in line with costs in this highly competitive trade.

After a difficult period of development of the Medliner Sea-Road Service into Iran the outlook for profitable trading is now encouraging.

Following the losses at the ship repairs group a reshaping is in process and the plan is to increase its share of container repair market, the chairman states.

Meeting, Manchester, on May 19 at 12.30 p.m.

Scottish Ontario

Gross revenue was £149,581 better at £1.01m. for Scottish Ontario Investment Company in the year to March 31, 1977. Earnings per 25p share were up from 3.12p to 3.7p and as forecast at halfway, a net final dividend of 2.5p lifts the total to 3.5p against 2.95p.

RCF midway decrease to £73,000

Pre-tax profits of band tool manufacturers and distributors RCF Holdings fell from £119,000 to £73,000 for the six month period ended January 31, 1977.

Turnover was up at £5.93m. against £5.22m.

The directors say that the level of incoming orders had risen progressively in recent months, both from home and overseas markets, and they expect an improvement in the second half, but they add that the continuing increases in cost will operate against the likelihood of an overall improvement for the full year.

The interim dividend is maintained at 0.575p net per 25p share. Total for last year was 2.4375p paid from profits of £491,842.

Net profit came out at £37,000 (£61,000) after tax of £36,000 (£58,000).

The profit attributable emerged at £35,000 (£56,000) after minority interests £2,000 (£3,000).

Good start by Boosey and Hawkes

THE YEAR has started well for Boosey and Hawkes and Mr. R. P. Barker, the chairman, forecasts, subject to the usual reservations, a satisfactory outcome.

As reported on April 5, taxable profit for 1976 was 25 per cent. better at £2.13m. on sales up £4.6m. at £17m. The gross dividend was lifted to 6.99p (6.35p).

At year end total bank borrowings showed a net increase of £0.44m. (down £0.37m.) and stood at £0.62m. The directors plan to have group properties professionally valued at December 31, 1977. The last valuation at December 31, 1974, indicated a surplus of £3m. over the book value of £1.61m.

Carl Fischer Inc. holds a 49.24 per cent. interest and the trustees of Ralph Hawkes Will Trust 17 per cent.

Mr. Barker says that while profit from music publishing was satisfactory, sheet music does not yet bring an adequate return on funds. A fresh look is being taken at the needs of the educational market and a three-year programme has been introduced to extend activities in the music publishing division on a wide front.

A separate company called Boosey and Hawkes (Contracts) has been set up to handle the group's substantial contract operations the bulk of which are overseas.

The Australian company, which had a disappointing performance in 1976, is expected to do much better in the current year. In Canada where both companies also produced disappointing results, efforts are being made to establish an adequate return on funds employed, be says.

Meeting, Cafe Royal, W., on May 25 at noon.

● comment

A jump of a quarter in reported profits from Boosey and Hawkes is hardly representative of the basic performance because of the increased contribution from Hammond following the purchase of the other 50 per cent. holding last April. However the overall result is well up to scratch considering the disruption to the instrument division caused by the fire at Edgware, though B and H has recovered its productive capacity within the year. The U.K.'s contribution to trading profits remained steady at 58 per cent., but within the overseas operations there was a change of emphasis away from Australia and America towards Europe, while Africa came up with a £153,000 turnround into the black. The return on capital employed remains very high at 36 per cent. (taken on funds at the beginning of the year) but a significant part of income is derived from royalties on copyrights which are in the books at a nominal £1. At 101 the yield is 7.2 per cent. while the p/e is 4.

Terry Kirk

Sir Ian Morrow, chairman of the Laird Group.

Revertex sees steady progress

FURTHER steady progress is expected during 1977, says Dr. E. F. Brookman, chairman of Revertex Chemicals in his annual statement.

The company enters the year with output and sales continuing at a high level, although margins in the U.K. remain under pressure.

The diversity of the company's activities has increased and the chairman is confident that this augurs well for the future development of the group.

During 1976 the company acquired Prodorite which expands the technology of the group into the new product areas of glass fibre reinforced plastics, specialist chemical plant contracting and also the supply and application of additional chemical based protective products.

Dr. Brookman adds that with Prodorite exceeding the profit forecasts, contributing £198,000 to pre-tax profits, he looks forward to a profitable and expanding future for this company.

An important part of the group's policy is to expand in Europe and in 1976 it acquired a compounding company in Belgium, which will provide a sound base for further expansion into a wide range of products and markets.

As reported on April 9, pre-tax profits, including the 12 months results of Prodorite, rose by 16 per cent. to a record £3.3m. for 1976 and turnover rose by 51 per cent. to £44.8m.

The dividend total is increased from 3.423p to 4.865p.

On a current cost accounting basis, profit before tax would be £1.73m. and the net surplus on revaluation of assets £1.69m.

There was a net cash outflow of £3.51m. (inflow £2.74m.).

Meeting, Harlow, on May 24 at noon.

MIXCONCRETE

Mr. John MacKaness, chairman of Mixconcrete (Holdings) said at the AGM that in view of a predicted downturn in demand for the group's products in 1977, the directors had eased their profit targets for the year.

Nevertheless despite the wet winter and extended holidays over Christmas and the New Year, figures were slightly ahead of forecast but despite this, profits for the first half would be down on last year's figures, he reported.

Fisons in strong position

A PROFESSIONAL revaluation of land and buildings held by Fisons in the U.K., Australia and South Africa, showed a surplus over book value at the end of 1976 of £8m., the directors state in their annual report.

It has however been decided not to incorporate the surplus into the accounts until the final requirements on inflation accounting have been agreed, they state. At December 31, 1976 net book value of freehold and leasehold buildings totalled £45m.

As reported on March 9, pre-tax profit for 1976 expanded from £16.68m. to £18.64m. on sales up at £258.33m. (£215.15m.) with the export and overseas sales content showing a 26 per cent. rise to £110m.

On a current cost accounting basis profit would have been to about £10.6m. by £4.3m. additional depreciation and £3.7m. additional cost of sales.

The net dividend is raised to 11.5115p (10.465p) on increased capital.

Though the total activity profit of the fertiliser division was reduced to 19.7 per cent. (28.5 per cent.) of total activity profit the group total grew 9 per cent. thus demonstrating the growing strengths of other parts of the business, the directors comment.

Expenditure on new plant and increased working capital during the year led to a net outflow of £11.4m. (£15.8m.) during the year excluding the £19.9m. raised by the April rights issue. The latter enabled borrowings to be reduced and at year end short term net borrowings were £14.2m. (£17.8m.) and medium term loans were £10m. (£16.2m.) including $12.2m. ($9.8m.) drawn from the multi-currency facility.

Investment in research rose to £9.1m. (£6.6m.) and the very significant increase in profit from the agrochemical and pharmaceutical divisions was largely based on the success of the research programme, the directors say.

Meeting, The Dorchester, W, on May 24, at 11.30 a.m.

Encouraging signs of upturn at BPC

WHILE IT IS hazardous to make any forecast on prospects for 1977, there are encouraging signs of increased activity in many of the printing companies which suffered due to the recession, says Mr. Peter Robinson, the chairman of British Printing Corporation.

Packaging results so far are excellent, and the directors also expect another good year in publishing, particularly overseas, though exchange benefits seem less likely to arise again in 1977.

Mr. Robinson points out that a consequence of bringing the Swedish Publishing Company in line with BPC is to push the peak selling period into BPC's second half rather than the first half. This will exaggerate the seasonal swing in the second half and make the interim figures less representative of the year as a whole, he adds.

The directors believe that with a further improvement in the economic climate, the group should be able to benefit from the re-organisation and investment that have taken place in recent years.

Pre-tax profit improved from £3.32m. to £4.76m. in 1976, and the dividend total was maintained at 3.1825p net per 25p share from earnings up from 4.6p to 6p (as reported on April 7).

The packaging and paper products division was the first to be affected by the recession early in 1975, and under-utilisation continued through into the first quarter of 1976, Mr. Robinson says. The second half of the year saw a significant upsurge, leading to profits 93 per cent. higher than 1975.

By contrast, the printing companies maintained a high level of utilisation until the last quarter of 1975, but this was followed by a rapid and severe downturn which continued throughout 1976, resulting in a reduction in profits of 71 per cent., members are told.

Some of the U.K. publishing companies were also affected by the decline in the economy, Mr. Robinson says, but others performed well. Overseas publishing operations are now responsible for the major profit contribution in this division, and in 1976 there was a further considerable advance in profits assisted by exchange benefits, he adds. Profits in the division increased by 86 per cent., and Mr. Robinson says that this result confirms the group's strategy to expand publishing, particularly abroad.

There was an extraordinary credit of £0.5m. from the sale for cash at the balance sheet date of Cross Paperware. The total consideration, received in January, 1977, from The Bowater Corporation was £2.75m.

Since the year-end, the whole of the group's interest in Marshall-Cavendish has been sold for an average price of nearly 40p per share. This gives a surplus over book amount of almost £0.35m., which will realise over £1m. for investment in mainstream activities, Mr. Robinson says.

No provision has been made under contingent liabilities for damages under a law suit filed in the U.S. against a subsidiary alleging violation of copyrights. On legal advice, the directors are confident that this suit will be successfully defended, it is stated.

Liquidity decreased during the year by £1.3m. against an increase of £2.3m.

Meeting, 20, Aldermanbury E.C., May 25 at noon.

● comment

Thanks to a property revaluation at British Printing, throwing up a net surplus of £6.4m. (or 21p a share), the net asset value per share is raised by 25p to 105p. Similarly despite an overall increase in total debt of 17 per cent. to £28.1m. the gearing is down from 100 per cent. to 89 per cent. of Ordinary shareholders' funds. As for the future both packaging and publishing have got off to a good start and printing is showing some signs of recovery, but the exchange surplus of £1.66m. last year, taken into trading profits, is unlikely to be repeated this time round. At 40p a yield of 12.2 per cent., and p/e of 6.7 (on earnings of 6p a share) is not demanding.

Lowland Drapery down to £131,765

For 1976, profits of wholesale and retail textile warehousemen, Lowland Drapery Holdings fell from £165,826 to £131,765 before tax. At halfway profit was down by £14,400 at £76,600.

The final net dividend is maintained at 2.379p to make a 3.159p total.

After tax of £71,222 (£80,763) net profit emerged at £60,543 (£85,061).

Extraordinary losses were £8,736 (£19,605).

Firmin holds profit at £0.26m.

Profit before tax steady at £266,976, against £262,805, is announced by Firmin and Sons for 1976, after £0.14m. (£0.13m.) at midway. The company makes badges, etc.

Year-end earnings per 25p share are 9.2p, compared with 9.7p—the net dividend total is 3.3p (3p) with a final of 2.2p.

	1976 £	1975 £
Turnover	1,397,587	1,218,174
Trading profit	229,745	233,637
Investment income	37,231	29,168
Profit before tax	266,976	262,805
Taxation	147,898	136,693
Net profit	119,098	126,148
Dividends	42,930	39,027
Retained profit	76,158	87,113

FT share information service

The following security has been added to the Share Information Services appearing in the Financial Times:—

Banco Industrial del Mediterraneo (Section, Overseas—Spain).

Pending dividends timetable

For the convenience of readers the dates when some of the more important company dividend statements may be expected in the next few weeks are given in the following table. The dates shown are those of last year's announcements except where the forthcoming Board meetings (indicated thus*) have been officially published. It should be emphasised that the dividends to be declared will not necessarily be at the amounts or rates per cent. shown in the column headed "Announcement last year." Preliminary profit figures usually accompany final dividend announcements.

	Date	Announcement last year		Date	Announcement last year
Akroyd and Smithers	May 12	Int. 3	Heath (C. E.)	May 5	Final 4.7898
Allied Irish Banks	May 12	Final 3.6375	Judge Intnl.	May 14	Int. nil
Amal. Power Engineering	May 14	Final 2.5013	Kune and [illegible]	[illegible]	[illegible]
*Associated Newspapers	July 4	Final 3	*Land Investors	May 13	Int. 0.4
*Averys	May 12	Final 3.1965	*Laporte Inds.	May 12	Final 2.4
[illegible]	[illegible]	[illegible]	*Lloyds and Scottish	May 12	Int. 1.4

[illegible]

* Board meetings intimated. † Rights issue since made. ‡ Tax free. § Scrip issue since made from reserves.

£0.34m. for Automated Security

AFTER AN advance of £30,000 at midway to £114,000, Automated Security (Holdings) finished the year to November 30, 1976 with record taxable profits of £335,000 against £241,000. Earnings per 10p share are shown as 3.74p (2.84p) and the dividend total is 0.65p with a net final of 0.4875p, as forecast.

Turnover for the period rose from £1.69m. to £2.33m. and the directors say that the past year has seen a continued steady demand for company products and its services, and that profit margins were maintained during the year.

The company specialises in the rental of security alarms.

London tea sales

At the tea sale held in London last week [illegible] packages were offered [illegible]

[illegible]

RECENT ISSUES

EQUITIES

[illegible]

FIXED INTEREST STOCKS

[illegible]

"RIGHTS" OFFERS

[illegible]

Renunciation date usually last day for dealing free of stamp duty. [illegible]

BASE LENDING RATES

A.B.N. Bank	9 %	■Hill Samuel	§9 %
Allied Irish Banks Ltd.	9 %	C. Hoare & Co.	†9 %
American Express Bank	9 %	Julian S. Hodge	10 %
A P Bank Ltd.	9 %	Hongkong & Shanghai	9 %
Henry Ansbacher	9 %	Industrial Bk. of Scot.	9 %
Banco de Bilbao	9 %	Keyser Ullmann	9 %
Bank of Credit & Cmce.	9½%	Knowsley & Co. Ltd.	11 %
Bank of Cyprus	9 %	Lloyds Bank	9 %
Bank of N.S.W.	9 %	London & European	11 %
Banque du Rhone S.A.	9½%	London Mercantile	9 %
Barclays Bank	9 %	Midland Bank	9 %
Barnett Christie Ltd.	10½%	■Samuel Montagu	9 %
Bremar Holdings Ltd.	11 %	■Morgan Grenfell	9 %
Brit. Bank of Mid. East	9 %	National Westminster	9 %
■Brown Shipley	9 %	Norwich General Trust	9 %
Canada Permanent AFI	9 %	P. S. Refson & Co.	9 %
Capitol C & C Fin. Ltd.	10½%	Rossminster Accept's	9 %
Cayzer Ltd.	9 %	Royal Bk. Canada Trust	9 %
Cedar Holdings	9 %	Schlesinger Limited	9 %
■Charterhouse Japhet	9 %	E. S. Schwab	10½%
C. E. Coates	10 %	Security Trust Co. Ltd.	10½%
Consolidated Credits	9 %	Shenley Trust	11 %
Co-operative Bank	*9 %	Standard Chartered	9 %
Corinthian Securities	9 %	Trade Development Bk.	9 %
Credit Lyonnais	9 %	Twentieth Century Bk.	10½%
D. R. Daves	9 %	United Bank of Kuwait	9 %
Duncan Lawrie	9 %	Whiteaway Laidlaw	9½%
Eagil Trust	9 %	Williams & Glyn's	9 %
English Transcont.	9½%	Yorkshire Bank	9 %
First London Secs.	9 %		
First Nat. Fin. Corpn.	11 %		
First Nat. Secs. Ltd.	11 %		
■Antony Gibbs	9 %		
Goode Durrant Trust	9 %		
Greyhound Guaranty	9 %		
Grindlays Bank	‡9 %		
■Guinness Mahon	9 %		
■Hambros Bank	9 %		

■ Members of the Accepting Houses Committee.
* 7-day deposits 4½%, 1-month deposits [illegible]
† 7-day deposits on sums of £10,000 and under 4½%, up to £25,000 [illegible]
‡ Call deposits over £1,000 [illegible]
§ Demand deposits [illegible]

INTERNATIONAL COMPANY NEWS

Renown sells EDRs again

FINANCIAL TIMES REPORTER

RENOWN Incorporated announces that arrangements are in hand through The Nikko Securities Co. (Europe), Ltd., Robert Fleming and Co. Limited, and Pierson, Heldring and Pierson N.V. to issue 9,800,000 new shares of common stock of Y.50 per share par value evidenced by European Depositary Receipts by means of a public offering in the international market.

Renown, together with its subsidiaries, is one of the largest wholesalers and distributors of clothing in Japan, and made an initial offering in Europe of 8,000,000 shares in a similar issue in August, 1976.

In the year ended December 31, 1976, consolidated net sales amounted to Y.164.237bn. ($597m.) and net income amounted to Y.3.770bn. ($13.7m.).

See Lex, back page

Orient operations ahead

BY PHILIP BOWRING

ORIENT OVERSEAS Container (Holdings), the quoted container line part of C. Y. Tung's shipping empire, had a 29 per cent. increase in net operating profits last year to HK$70.34m. To this was added HK$33m. in profit on sale of a vessel—compared with HK$103m. of a similar non-recurring profit the previous year.

As a result consolidated total earnings were HK$33m. lower last year at HK$103.6m. Final recommended dividend is 20 cents a share making a total of 28 cents, an increase, after adjustment for a scrip issue, of 22 per cent. A further one-for-ten scrip issue is recommended. Earnings per share on operating profit last year were 39 cents compared with an adjusted 31 cents in 1975.

Issued capital during the year was increased by the issue to Jardine Matheson of 17m. new shares, giving Jardines 8.8 per cent. of the capital. The issue price was HK$3.05. OCL's current price is HK$4.20.

Ford moves up to No. 3

By Jay Palmer

NEW YORK, May 1.

THE 500 LARGEST U.S. industrial companies lifted their sales by 12.2 per cent. in 1976, according to the latest issue of Fortune Magazine. Earnings growth during the year was even more heartening with profits rising 30.4 per cent. on a median profit margin up sharply to 4.6 per cent., the highest level since 1968.

In this regular annual listing of America's largest companies in terms of sales, Fortune notes that Ford Motor moved up to third place after Exxon and General Motors, dropping Texaco to fourth place. While Exxon remains number one in terms of sales, GM overtook the oil company in terms of profits.

Smaller SA banks disappoint

JOHANNESBURG, May 1.

TWO OF South Africa's smaller banking groups, UDC Holdings and Hill Samuel (SA), have reported disappointing preliminary results for their respective financial years, both of which ended in March.

UDC, which is jointly controlled by United Dominions Trust and the local conglomerate SA Breweries, reported annual profits 15 per cent. down at R2.56m. That the figures were not considerably worse is due only to the timely disposal of the loss-making Federated Shippers to a local group for book value of R1.7m.

UDC appears to have suffered a sharp decline in the second half of the year. Profits at the interim stage were 37 per cent. higher than in the previous year, but in the second half the drop was over 40 per cent. The major profit depressant was the 62 per cent.-owned leasing subsidiary, Ryan Nigel, which until now has had a phenomenal growth record.

Hill Samuel (SA), which is a 77 per cent.-owned subsidiary of the Hill Samuel Group suffered a 35 per cent. decline in earnings from R2.3m. to R1.5m. and as a result was forced to cut the dividend from 10 cents to 7.5 cents. Although operating profits as a whole were some 10 per cent. up on last year's record level with a strongly improved trend in the second half, the need to make increased provisions for doubtful debts, and in particular to provide for its involvement in the Glen Anil property disaster, ate into profits.

ISS to go public

By Hilary Barnes

COPENHAGEN, May 1.

ISS (International Service System), the Danish cleaning company with 60 subsidiaries and 44,000 employees in Europe and overseas, plans to go public with a subscription issue of Kr.12m. B shares. The current share capital of the company is Kr.48m. (£4.8m.). The group increased sales by 18 per cent. to Kr.1.81bn. last year while net earnings were up by 32 per cent. to Kr.36.2m.

Gerber riposte

By Donald Maclean

GERBER PRODUCTS Company chairman, Mr. John C. Suerth emphasised to company shareholders that as a result of recent supplemental filings by Anderson, Clayton and Co. made with the Michigan Department of Commerce, Anderson Clayton cannot purchase any Gerber shares under its previously announced takeover offer before July 7.

He said this date could be further extended if State authorities determine that Anderson Clayton's offering materials still did not comply with State law.

The bid by Anderson Clayton, worth some $320m. has been resisted by Gerber directors.

Money and Exchanges

Bank of England Minimum Lending Rate 8¼ per cent. (since April 29, 1977)

Bank of England Minimum Lending Rate fell by ¼ per cent. to 8¼ per cent. after Friday's Treasury bill tender, although on the normal market related formula the rate would have been cut by ½ per cent. to 8 per cent. The authorities have overridden the formula however after a fall in the average rate of discount of 0.5043 per cent. to 7.4873 per cent.

Interest rates declined throughout the week, giving rise to speculation that MLR would fall to 8 per cent., but on Thursday the authorities intervened in the market to give a signal that they were looking for no more than a marginal fall in the Treasury bill rate at the tender.

Day-to-day credit was in short supply in the money market for the most part. The authorities gave exceptionally large assistance on Monday, partly by way of very large overnight lending, and the extremely large help on Tuesday also included very large overnight loans. The exceptionally large amount of assistance given on Wednesday was all by way of overnight lending, and a similar scale of help on Thursday included exceptionally large overnight loans and large loans for seven days as a signal to the market on interest rates. The Bank of England lent a further large amount to four or five houses on Friday, over the week-end.

Sterling remained steady in fairly quiet trading last week, although the authorities probably added foreign currency to the reserves to prevent the rate against the dollar from moving above $1.7200. The pound finished at $1.7192-1.7196 on Friday, a gain of 8½ points on the week, and its trade-weighted index since the Washington Currency Agreement of December 1971, as calculated by the Bank of England, fell to 61.8 from 61.7.

The U.S. dollar lost ground following publication of a record trade deficit in March. Its trade-weighted average depreciation since the Washington Agreement, as calculated by Morgan Guaranty of New York, widened to 1.19 per cent. from 0.99 per cent.

The Swiss franc fell sharply on Tuesday, following the investigation into the losses of a branch of Crédit Suisse, one of Switzerland's largest banks. It touched a low point of Sw.Frs.2.5225 in terms of the dollar, but recovered later in the week, partly as a result of the U.S. currency's general weakness, and finished at Sw.Frs.2.5140 on Friday, compared with Sw.Frs.2.5225 at the end of the previous week.

The German mark was very firm on Thursday, in anticipation of an increase in the West German trade surplus in March. It ended the week at DM2.3523, an improvement from the previous week's closing rate of DM2.3730 against the dollar.

Gold fell $3¾ on the week to $147-147¾, but trading was fairly quiet.

[illegible]

Local authorities and finance houses seven days' notice, others seven days' fixed. [illegible]

FOREIGN EXCHANGES

[illegible]

OTHER MARKETS

[illegible]

GOLD MARKET

[illegible]

EXCHANGE CROSS-RATES

[illegible]

EURO-CURRENCY INTEREST RATES*

[illegible]

FORWARD RATES

[illegible]

SPECIAL DRAWING RIGHTS RATES

[illegible]

MINING NOTEBOOK

The anatomy of a gold mining rumour

BY LODESTAR

RUMOURS have always been part and parcel of the mining market scene, especially during boom times. Some even turn out to be true. That they are conspicuous by their rarity nowadays is an indication of the present rather unexciting times in this section of the Stock Exchange. But they can crop up occasionally, even in quiet periods.

A recent example is the talk from Johannesburg that the Consolidated Gold Fields group's new Deelkraal gold mine has reached the Ventersdorp Contact reef horizon in its shaft-sinking programme, but that the reef was not where it ought to have been. This rumour probably arose because the March quarterly report showed that the No. 2 shaft had attained its final depth of 1,776 metres (5,833 feet) without any reef intersection being announced.

I gather, however, that the VCR lies a little lower than this. In other words, it was not expected to be cut in this particular shaft, but it should be quite soon in the No. 1 sub-vertical shaft which is now under way as a downward extension of the No. 2 shaft. The mine's other shaft being sunk, the No. 1, which was 1,749 metres (5,738 feet) deep at the end of March, is designed to reach the reef horizon before it attains its planned depth.

So, as far as the first glimpse of the reef other than in a borehole is concerned, there is all to play for still. But it is pointed out that hopes for its gold content at the point of intersection in the No. 1 sub-vertical should not run too high, because the drill results at this spot were below-average, ranging from 477 to 817 cm-g compared with up to 3,819 cm-g in other VCR intersections.

Deelkraal shares were offered to the public in April, 1975, at 200 cents, then equal to 208p cum premium, when the market was still basking in the aftermath of gold's attempt to rise above $200 an ounce. It has since been down to nearly $100, and is now $147½. Last October the company made a 125-for-100 rights issue, this time at 145 cents. In London the shares were then 98p, and are now only 64p.

Production is not scheduled until 1980. In the meantime, the shares are likely to be tossed about by the course of the gold price, although the initial values on the VCR when it is hit could have some short-term influence. Gold Fields of South Africa and its subsidiaries have a 50.5 per cent. stake in Deelkraal and the parent Consolidated Gold Fields 25.5 per cent. Those who believe that bullion will throw off its present hesitant mood and start strongly on the upward path again should step in and buy Deelkraal.

RTZ in diamonds?

Kimberlite is a type of basic igneous rock, a serpentinised biotite periodotite, that is the host rock to diamonds found in all primary deposits to date. The name was first used in 1886, and is derived from Kimberley, that historic South African diamond town, the site of the then richest of the volcanic diamond-bearing pipes. Kimberlite is synonymous with blue ground, the name given to it by diggers because of its hue.

In the northern part of Western Australia there is a district called the Kimberleys. How it got that name I do not know, but even an offshoot of De Beers itself has been looking for diamonds there. Recently a consortium headed by the RTZ group's Conzinc Riotinto of Australia has made what one of the participating concerns has described as a "potentially economic" discovery of diamonds in the region.

CRA threw some cold water on the claim saying that the "exploration programme is still in the early stages of what is essentially a long-term expensive high-risk undertaking." Nevertheless, CRA is reported from Australia to be trying to increase its stake in the consortium from 35 per cent. to a controlling 51 per cent. although there seems to be some dissent among some of the other partners over this attempt.

These partners are Tanganyika Concessions, AO Australia (an offshoot of the London Tin group), Jennings Industries and Belgium's Sibeka, each with 15 per cent., and Northern Mining with 5 per cent. It is not clear who is fighting whom. But, whoever is in dispute, and the fact that CRA wants to move into a controlling position does seem to indicate that the Kimberley region may yet prove to have been aptly named.

Diamonds—if they are there in commercial quantities, and this is by no means guaranteed even where kimberlite pipes exist—would certainly add an extra gleam to the RTZ group's already widely spread mineral spectrum and give even greater emphasis to Mr. Rod Carnegie's new-found optimism for the future of CRA expressed at last week's meeting in Melbourne.

Endeavouring

Although often cautious about prospects, the big American group Amax beavers steadily on probing the Forrestania nickel area in Western Australia. I gather from Perth that an engineering study is in hand, and that hopes for the area have been raised by results from the Flying Fox prospect, to which I have called attention previously. Drilling values are reported to range up to 8 and 9 per cent. albeit over narrow widths. Amax is the partner here.

Eight diamond and three percussion drill rigs are working on the property, which looks as though it could upgrade the whole Forrestania area which includes Cosmic Boy and Digger Rocks in which Endeavour Oil has a stake. There is a considerable shareholding in the last-named on this side of the world. The shares at 8p are now a depressed market, under the shadow of the three-for-[illegible] offer at 10 cents Australian, the closing date for which has now been extended until May 11.

The company then proposes to change its name to Endeavour Resources, in line with its potential spread of interest across [illegible] tin and nickel, and will reconstruct its capital. Endeavour is living up to its name, but if the rights offer is fully subscribed (it is not underwritten) there will be more than 39m. shares in issue. So it would seemingly take something really exciting to get them moving to any worthwhile extent.

INSURANCE

Obligations of motorists

BY OUR INSURANCE CORRESPONDENT

WITH INCREASING frequency all kinds of bodies and organisations engage in researching consumer knowledge, attitudes and needs for particular goods and services. There is still surprisingly little done, or perhaps, more correctly publicly known and seen to be done, in the insurance field.

A few years back National Opinion Polls ploughed a lonely furrow with independent detailed wide inquiries on the subject of personal insurances—home, life and motor. Since then the Consumers' Association has diligently researched on its members' attitudes and experiences of particular aspects of insurance, again motor, life and household, and has made detailed reports in "Which"? But there has been really very little else.

Last week Sentry Insurance published its "Motor Insurance Survey," sub-titled "A survey of the motorist and his use and attitudes towards motor insurance." This survey was conducted in the closing months of last year by Louis Harris International in conjunction with the City University Business School on the basis of a questionnaire designed by these bodies in consultation with Sentry and put to a sample of 1,704 motorists.

The survey covered a wide range of questions dealing with the purchase of insurance, policy cover, documentation, claims handling and possible changes in insurance: most of the agreed answers, to my perhaps cynical mind, are not at all unexpected. For example: "Many policyholders don't know what they are covered for, even though 84 per cent. claim to have read their policies." Again: "Nearly two-thirds of motorists believe their insurers will still pay out in full or in part on an accident even after discovering material facts have been withheld."

I am quite sure that any other similar survey of other consumer groups would produce very much the same high level of ignorance. What do the millions of tenants know and understand of their rights and obligations under their leases?

The plain truth is that all such contracts, and especially insurance contracts, are legal documents. If they are to define the legal obligations of the parties to the contract with precision then language much more exact than tabloid journalese must be employed. According to the survey 35 per cent. of motorists had not read their policies, many giving the reason as "too complicated" and that "you need a legal brain to understand them."

However, as I see it, this is not a criticism of modern motor insurance policy terminology and layout, but of the motorists who were questioned, and an indictment of the general level of education that we now suffer in Britain. It is worth remembering that there are 2m. adults in this country who are partly or wholly illiterate, and that many of these must be motorists holding their own insurance policies. For such people, how should the market provide the simple summary of cover and conditions, that the surveyed motorists appear to want insurers to produce?

What is significant and perhaps gratifying to the industry is that nine out of 10 of the motorists surveyed believe that motor insurers do a fairly good or even a good job. In this sphere of the survey, motorists were asked to evaluate motor insurance in comparison with 10 other services, including those of life assurance companies and insurance brokers. Of those questioned 91 per cent. spoke favourably of motor insurers, but only 82 per cent. rated the life offices and only 70 per cent. rated insurance brokers in a similar way.

This kind of survey depends for its validity on the accuracy of the sample, and I would not choose to argue with Louis Harris International on the fundamentals of their craft, but I am nevertheless left wondering, from the massive data there has been built up a profile of the average U.K. motorist. He is a male, early 40s with over 15 years' driving experience, using a five- to six-year-old car, which is probably British made and of under 1500cc (all of which is unexceptional)—but which he drives for approximately 14,500 miles a year and expects to drive similarly in the future.

The hard-headed British motor trade still reckons that 10,000 miles a year is a good broad average for determining usage of second hand cars, while most insurers still reckon that the average policy holder does somewhat less mileage. Is this figure of 14,500 miles a year less than accurate? And if so how much more of the survey answers and conclusions are open to question?

EUROBONDS

BY MARY CAMPBELL

Riding over the Chiasso affair

THE ACCELERATING concern over the implications of the Crédit Suisse affair early last week—particularly the announcement of the Sw.Frs.3bn. standby credit offer over Monday night—hit a market where trading had already slackened off and where the tendency was for prices to be marked down following the $350m. worth of new issue announcements the previous weekend.

However, even in the earlier part of the week, the undertone of the market remained firm with little outright selling. The main downward pressure was concentrated on the newer issues and seasoned names were more or less unscathed. In the latter part of the week the underlying firmness was confirmed.

As is only to be expected the volume of new issues announced during the past week has not been large. Most notable are the Union Bank of Switzerland's convertible announced on Friday night, the planned date, with a cool disregard for the fact that its share price is considerably lower than it was two weeks ago, and Tenneco's $100m. straight bond issue announced on Saturday.

The Tenneco issue offers an indicated 7¾ per cent. for 10 years (bullet) via a group headed by Morgan Stanley International and Crédit Suisse White Weld. Tenneco's senior debt is rated single-A in the U.S.

The UBS convertible follows exactly the same lines as the issue it made last year, and its exact size will therefore not be known until after the final terms have been fixed. The issue will be of 100,000 bonds by Union Bank of Switzerland Luxembourg due 1987. Each bond is convertible into Sw.Frs.500 nominal shares of Union Bank of Switzerland itself, on a one share per bond basis. The first possible conversion date will be next June 1 and conversion rights continue until maturity. The indicated coupon is 4¼ per cent. and the indicated conversion premium not higher than 5 per cent.

The terms are such that the issue would currently amount to about $125m. Subscriptions close this Thursday.

The Kong Hong Land issue of 7¾ per cent. eight-year bonds is not expected to be widely placed in the Eurobond market. It is aimed at Hong Kong dollar investors but framed as a Eurobond in order to get round the Hong Kong 15 per cent. withholding tax.

Also in the market in addition to the issues in the table is a *Bahraini dinar 6m.* for the Mexican Nacional Financiera. Indicated coupon is 8¾ per cent. and maturity five years. The issue, being managed by a syndicate headed by Kidder Peabody, will be in the form of a private placement, and will not be listed. An over-the-counter market will be maintained by Scandinavian Bank (Bahrein).

The Crédit Suisse losses through the Chiasso affair was naturally a major talking point in the Eurobond market last week. Its supreme significance perhaps is the extent to which it has shown up the underlying strength of the international markets at present. Concerned as it is with the Swiss banks' fiduciary business—and thus with the major single most important source of Eurobond investment funds—it has had remarkably little effect on the Eurobond market. Those who lived through the Herstatt affair in mid-1974 are amazed at the extent to which prices have remained firm.

On the other hand, with the branch manager of one of Switzerland's prime banks charged with malpractice of this kind, clients who have placed their funds with Swiss banks on a fiduciary basis are bound to be questioning the continued wisdom of handling their affairs in this way.

Let it be emphasised then that, as yet anyway, there seems to be no sign of any significant run on the Swiss banks' fiduciary business. It appears that there was some movement away from Crédit Suisse itself—together with pressure from a few customers to charge lower fees—but whether or not because other banks refused to accept the new business, such clients were apparently back at Crédit Suisse within days.

Of course, it is arguable that the shifting of fiduciary business is likely to take time. But the longer term is likely to favour the Swiss banks. This is despite the fact that, with court cases involved, publicity on the Chiasso affair will drag on for some time.

One reason for this is that the Chiasso affair has already started to stimulate investigations by other banks as well as by the authorities and a rethinking of how the Sw.Frs.300bn. ($120bn.) odd fiduciary business should be handled.

In the last analysis it is questionable whether the Swiss banks' fiduciary clients would be able to find anywhere else to put their money which is anything like as satisfactory. Switzerland's reputation for banking secrecy remains unchallenged as in general does the Swiss banks' reputation for placing funds with prime quality names. In these circumstances, fears of having their funds misdirected into less than prime quality investments look relatively insignificant, particularly since no bona fide customers will lose out over the Chiasso affair.

The continuing strength of the dollar sector of the market was underlined last week by the changes in terms of issues which closed. Winnipeg was raised from a scheduled $35m. to $40m. and priced at 100½, other terms unchanged; Volkswagen was priced at 100½; City Investing was raised from the scheduled $25m. to $30m.; Ashkand was priced at 100½; the coupon on Kajima cut cut from the indicated 7¾ to 7½ on a par pricing; while the size of the Reed International offering was raised from $30m. to $40m.

Many of these issues did not open as strongly on the secondary market as other issues have done recently; but this is hardly a sign of weakness. Friday evening quotations for some issues priced last week include the following: Volkswagen at 99¾/100½; Reed at 99½/¾; Kajima at 99/99½; and Bougainville at 98¾/9¼.

CURRENT EUROBOND ISSUES

Borrowers	Amount $m.	Maturity	Av. life years	Coupon %	Price	Lead manager	Offer yield %
U.S. DOLLARS							
Winnipeg	40	1987	Bullet	8¾	100½	Wood Gundy	8.17
Bougainville Copper	25	1984	6	8¾	100	Morgan Stanley	8.75
Volkswagen	150	1987	Bullet	7¾	100½	Deutsche, UBS	7.81
City Investing	30	1984	6.17	8¾	100	Blyth-Eastman Dillon	8.75
Nordic Invest. Bank	40	1984	Bullet	7¾	*	CSWW	
Reed International	30	1987	8.7	9	100	S. G. Warburg	8.7
United Biscuits	30	1989	10.2	9½	*	Morgan Grenfell	
Ashland Oil	60	1982	3.5	7½	100½	Paribas	7.38
Kajima	20	1982	Bullet	7½	100	Daiwa, Morgan Stanley	7.425
Bowater	50	1992	11.76	9½	*	CSWW	
New Zealand DFC	20	1984	5.3	7¾	*	Citicorp Int.	
Norges Kommunalbank	75	1992	9	8½	*	WLB	
ECSC	30	1984	Bullet	5½min.	100	EBC CSWW	5.75
British Columbia Hydro	75	1985	Bullet	7¾	*	CSWW	
Standard Chartered	50	1984	Bullet	7½	*	European Bkg. Co.	
Japan Steel Works	15	1984	n.a.	7½	*	Nomura Europe Ltd.	
CANADIAN DOLLARS							
BM-RT Ltd.	C$25	1982	Bullet	8¾	*	UBS (Securities)	
D-MARKS							
Singapore	DM100	1983	Bullet	6½	100½	Dresdner	6.40
Denmark	DM150	1983	Bullet	6¾	100	WDL	6.75
Denmark	DM100	1987	Bullet	7¼	100	WDL	7.25
ICI	DM150	1987	8.5	6¾	100	BHF Bank	6.75
World Bank	DM400	1987	Bullet	6½	99½	Deutsche Bank	6.57
Brazil	DM150	1984	Bullet	7¾	*	Deutsche Bank	
Den Norske Ind. Bk.	DM50	1989	7½	6½	*	WDL	
Arbed	DM100	1987	n.a.	6½	*	Dresdner	

* Not yet priced.

Indices

NEW YORK—DOW JONES

	Apr. 29	Apr. 28	Apr. 27	Apr. 26	Apr. 25	Apr. 22	1977 High	1977 Low	Since compilation High	Since compilation Low
Industrial	926.90	927.02	925.76	915.62	914.60	927.07	999.75 (3/1)	914.60 (25/4)	1051.70 (11/1/73)	41.22 (2/7/32)
Home Bonds*	91.12	91.27	91.25	91.19	91.09	91.72	95.57 (3/1)	90.69 (7/3)	—	—
Transport	234.91	235.85	235.26	230.77	232.08	235.50	246.09 (30/1)	221.91 (25/2)	279.88 (7/2/69)	13.23 (8/7/32)
Utilities	108.67	108.55	107.87	107.11	107.89	107.97	111.27 (25/1)	104.97 (25/2)	163.32 (20/4/69)	10.58 (28/4/42)
Trading vol. 000's	19,330	19,679	20,590	20,940	20,440	20,700	—	—	—	—

* Basis of index changed from July 1.

Ind. div. yield %	Apr. 22	Apr. 15	April 8	Year ago (approx.)
	4.60	4.49	4.61	3.52

STANDARD AND POORS

	Apr. 29	Apr. 28	Apr. 27	Apr. 26	Apr. 25	Apr. 22	1977 High	1977 Low	Since compilation High	Since compilation Low
* Industrials	109.00	108.79	108.50	107.57	107.54	109.95	113.82 (3/1)	107.54 (25/4)	134.54 (11/1/73)	35.2 (30/6/32)
† Composite	98.44	98.20	97.98	97.11	97.15	98.44	107.00 (5/1)	97.11 (26/4)	125.85 (11/1/73)	4.40 (1/6/32)

	Apr. 27	Apr. 20	Apr. 13	Year ago (approx.)
Ind. div. yield %	4.36	4.25	4.21	3.28
Ind. P/E Ratio	10.16	10.41	10.41	14.00
Long Govt. Bond yield	7.67	7.62	7.62	6.49

N.Y.S.E. ALL COMMON

Apr. 29	Apr. 28	Apr. 27	Apr. 26	1977 High	1977 Low
55.66	55.94	55.41	52.86	57.07 (4/1)	52.86 (26/4)

Rises and Falls	April 29
Issues Traded—1,272	Up—815
Down—542	Same—514
New Highs—48	New Lows—45

MONTREAL

TORONTO Composite

JOHANNESBURG Gold / Industrials

OVERSEAS SHARE INFORMATION

NEW YORK

GERMANY

JOHANNESBURG

AUSTRALIA

PARIS

VIENNA

OSLO

BRAZIL

SPAIN

TEL AVIV

CANADA

AMSTERDAM

TOKYO

COPENHAGEN

SWITZERLAND

BRUSSELS/LUXEMBOURG

MILAN

STOCKHOLM

هكذا من الأصل

AUTHORISED UNIT TRUSTS

The British Life Office Ltd.♥ (a)
Reliance Hse., Tunbridge Wells, Kt. 0892 22271

BL British Life	43.3	45.8	-0.2	5.81
BL Balanced*	37.3	39.9	.....	5.73
BL Dividend*	35.3	37.8	.....	8.65

Prices April 27. Next dealing May 4.

Guardian Royal Ex. Unit Mgrs. Ltd.
Royal Exchange, EC3P 3DN.

(ag) Guardhill Trt.	73.2	75.8	-0.1	5.08

FINANCIAL TIMES STOCK INDICES

—	Apr. 29	Apr. 28	Apr. 27	Apr. 26	Apr. 25	Apr. 22	A Year ago
Government Secs	60.31	69.09	68.77	68.58	68.61	68.78	62.16
Fixed Interest	69.56	69.38	69.17	69.02	69.08	60.49	51.75
Industrial Ordinary	432.8	428.2	427.4	421.0	419.0	422.5	418.1
Gold Mines	115.5	109.6	111.9	109.0	112.9	115.9	167.9
Ord. Div. Yield	6.51	6.56	6.35	6.42	5.45	5.69	6.04
Earnings Y'ld% (full) (*)	15.97	16.06	16.06	16.50	16.40	15.23	14.06
P/E Ratio (net) (*)	0.25	0.15	0.16	0.02	8.07	0.06	9.05
Dealings marked	5,309	5,004	6,729	5,905	6,506	5,556	5,208
Equity turnover £m.	—	67.49	67.49	69.99	52.90	79.96	70.16
Equity bargains total	—	16,151	16,161	15,504	17,036	17,859	15,614

10 a.m. 426.9. 11 a.m. 427.6. Noon 429.7. 1 p.m. 430.8. 2 p.m. 430.5. 3 p.m. 432.5.

Latest Index 01-246 8026.

* Based on 52 per cent. corporation tax. Nil=8.14.

Basis 100 Govt. Secs. 15/10/26. Fixed Int. 1928. Ind. Ord. 1/7/35. Gold Mines 12/10/35. SE Activity July-Dec. 1942.

HIGHS AND LOWS

—	1977 High	1977 Low	Since Compilation High	Since Compilation Low
Govt. Secs.	70.96 (31/3)	60.46 (4/1)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Int.	70.75 (1/4)	60.49 (4/1)	150.4 (28/11/47)	50.53 (3/1/75)
Ind. Ord.	463.3 (17/3)	357.6 (12/1)	549.2 (14/9/77)	49.4 (26/6/40)
Gold Mines	167.4 (7/3)	95.1 (1/2)	442.5 (22/5/75)	42.6 (26/10/71)

S.E. ACTIVITY

—	Apr. 29	Apr. 28
Daily—		
Gilt-Edged	155.1	138.6
Industrials	235.0	219.2
Speculative	41.7	65.0
Totals	145.7	136.7
5-day Av'r'ge		
Gilt-Edged	155.4	167.5
Industrials	215.0	217.4
Speculative	45.2	44.91
Totals	138.0	130.8

FT—ACTUARIES INDICES

—	April 29	April 28	April 27	April 26	April 25	April 22	Year ago
Industrial Group	174.18	170.80	150.52	167.12	166.96	157.67	152.85
500 Shares	198.09	196.73	195.57	192.64	192.52	103.40	180.84
Div. Yield pc	5.59	5.62	5.65	6.73	5.74	5.71	6.20
P/E Ratio (net)	9.65	0.30	0.24	9.11	9.11	0.18	10.75
All Shares	181.21	180.17	179.15	176.78	172.58	177.41	169.68
Consols Yield pc	12.65	12.51	12.68	12.75	12.57	12.66	15.83

HONG KONG

Hong Kong $	Apr. 29	April 22
Govt. Loan 1948	87.00n	87.00n
Amalgamated Rubber	1.45	†1.42
Howaltan	—	—
China Light & Power	22.50	22.50
City Hotels	59.00	59.50
Cosmopolitan Properties	1.29	1.27
Cross Harbour Tunnel	12.30	12.30
E. Asia Navigation	6.40	6.20
Hong Kong Aircraft	—	70.00
Hong Kong & Whampoa Docks	10.80	10.70
Hong Kong Electric	5.45	5.60
Hong Kong Kowloon Wharf	15.90	16.00
Hong Kong Land Invest.	7.50	7.65
Hong Kong Shanghai Bank	17.60	16.10
Hong Kong Shanghai Hotels	13.60	13.10
Hutchison International	6.22	5.20
Inter. Pacific Securities	6.80	5.95
Jardine Matheson	16.90	17.30
Jardine Secs.	7.00	†7.20
Rubber	1.56	1.53
Sime Darby	6.85	6.00
Southn. Pac. Prop.	0.55	0.52
Southern Textile	32.50	†31.00
Swire Pacific A	9.05	0.80
Textile Alliance	6.00	†6.00
Textile Corp of Hong Kong	6.05	5.08
Wheelock Marden	2.65	2.575
Wheelock Maritime	—	—
Winsor Industrial	2.05	9.075
W. [illegible]	[illegible]	[illegible]

† Buyer. ‡ Seller. n Nominal. xd Ex-dividend. Susp. Suspended.

SINGAPORE STOCKS

April 29	$	April 29	$
Industrials		Straits Trad'g	6.40
Bovis	0.55	Temenggong	1.12
Boustead Co.	1.54	Times Pub. Berhad	3.16
Boustead Bhd	1.56	U. Engineers	1.64
Dunlop	3.08	U. Ov's. Bk.	2.98
Esso	1.67	Wearne	2.71
Fraser Neave	[illegible]	Tractor	2.02
Haw Par	0.96	Chemical	†3.54
Hume Ind.	1.30	Wllm Jacks.	1.21
Inchcape	[illegible]	Rubbers	
Jardine	†1.83	Batu Lintang	1.08
Malay Brew.	4.74		
Malay Cmnt.	—		
Mal. Tobacco	†5.05	Dunl'p Estate	†1.70
Mal. Bx. Sing	—	Kempas	2.70
Ov's Chin. Bk	6.50	Tins	
Pan Electric	1.81	Austral. Am.	—
Robinson Co.	†1.82	Berjuntai	14.00
Rothman	3.00	Kampar	—
Shell	1.85	Kramat	—
Sime Darby	3.14	Kuchai	—
Cold Storage	2.69	Lower Perak	—
Straits Steam	2.72	Petaling Tin	†4.40
Straits Times (1975) Ltd.	4.30	Supreme Cp.	1.52
		Tongkah Harb'r	—

† Buyer. ‡ Seller. — Unquoted. Xa Ex all.

OFFSHORE AND OVERSEAS FUNDS

INSURANCE, PROPERTY, BONDS

Fixed Interest	140.0	147.4	+0.2	—
Equity	108.3	114.1	+1.1	—
Property	120.9	135.7	+2.0	—
Managed	130.4	137.3	+1.1	—
Money	112.2	118.2	+0.1	—
K & S. Gilt Bds.	134.9	137.7	+0.7	—
K & S. Govt. Sec.	113.9	120.0	+0.7	—
Commodity UT	90.4	92.0	+1.0	—
Growth UT	116.9	123.1	+1.1	—
Capital UT	115.5	121.9	+1.3	—
Income UT	122.1	128.6	+1.9	—
International UT	136.8	144.1	+0.2	—

Scottish Widows' Group
PO Box 902, Edinbrgh., EH16 5BU. 031-655 6000

Inv. Ply. Series 1	87.7	87.7	.....	—
Inv. Ply. Series 2	93.1	87.5	.....	—
Ex. Ut. Tr. Apr. 0	115.1	120.0	.....	—
Mgd. Pens. Apr. 13	207.5	113.2	.....	—

NOTES

Prices do not include $ premium, except where indicated ♦, and are in pence unless otherwise indicated. Yields % (shown in last column) allow for all buying expenses. a Offered prices include all expenses. b Today's prices. c Yield based on offer price. d Estimated. 6 Today's opening price. h Distribution free of U.K. taxes. p Periodic premium insurance plans. s Single premium insurance. x Offered price includes all expenses except agent's commission. y Offered price includes all expenses if bought through managers. z Previous day's price. ♥ Net of tax on realised capital gains unless indicated by ♦. § Guernsey gross. ø Suspended. ♦ Yield before Jersey tax.

INSURANCE BASE RATES

† Property Growth 10½%
Cannon Assurance .... 7 %
† Address shown under Insurance and Property Bond Table.

CORAL INDEX: Close 431-436

I.G. Index 01-351 3466 August Soya Beans 199.5-200.5

GA expects break-even on U.K. underwriting

THE UPSWING in the insurance cycle is believed to have begun but its progress is slower than expected. However, barring undue natural or other disasters, General Accident Fire and Life Assurance Corporation could well break even or possibly make an underwriting profit in the U.K. in the current year Mr. H. L. Stuart Black, the chairman, says in his annual statement.

This situation may be harder to achieve in the U.S. although the company will look for a continued and steady, but perhaps slow, fall in its operating ratio. In spite of the substantial recovery in the U.S. during 1976 it produced the industry's third worst underwriting experience ever, and major underwriting problems remain to be overcome particularly in liability business and in automobile assigned risks. Added to this the changed political scene may also bring its problems and makes prediction particularly hazardous, he says.

After many problems of recent years in Canada the trading result was considerably better with an underwriting account at almost break-even. Elsewhere in the world the company's experience is generally improving.

As reported on March 24, pre-tax profit expanded 163 per cent. to £42.6m. for 1976 with investment income 41.5 per cent. ahead at £60m. After allowing for exchange gains the improvement in investment income was 28 per cent. of which £1m. was derived from investment of the proceeds of the September rights issue. The balance reflected a healthy cash flow the chairman says. The underwriting loss was cut from £25.7m. to £17.6m.

The net dividend is lifted to 7.25p (5.81p) on increased capital.

During the year the company was more successful in its aim of financing growth from retained earnings despite the unprecedented rise of almost £150m. in premium income and apart from a dividend increase of 25 per cent. At £18.5m. retained earnings representing 12.5 per cent. of premium growth compared with the current minimum solvency margin requirement of 10 per cent. he says.

Non-life investments at December 31, 1976, showed a surplus over book values of £162.7m. This was £108.5m. higher than the year before. The total surplus on investments at year end was over £350m.

In the U.K. during 1976 the company's losses by theft from private houses exceeded losses by house fires which themselves have not decreased. Employers' Liability and Public Liability business continue to present severe underwriting problems. Although premium rates have been raised substantially the trend in court awards for personal injuries makes assessment of rates especially difficult, Mr. Stuart Black says.

The directors feel it would be premature and even misleading to produce inflation adjusted accounts according to ED 18. Several of the proposals, and in particular the proposed treatment of net monetary assets as liabilities, are somewhat controversial and have to be thoroughly developed in the context of the special factors affecting insurance company accounts, he states.

Commenting on the Bullock Report he says that implementation of the majority of the report or, in some respects, the minority proposals, could only have a serious and negative effect upon industrial relations and investment in the U.K.

Of the possibility of nationalisation he says that Government control over the investment of policyholders' funds is no solution to the country's basic economic problems.

Meeting, Perth, on May 25 at 11.30 p.m.

Further growth at NPI

NEW ANNUAL premiums received by National Provident Institution more than doubled from £5.93m. to £11.92m. in 1976. At the year end investments, including an investment reserve held at £41.05m., totalled £334.3m. against £209.17m.

During the year overseas Ordinary holdings were reduced by £12m. Just under £2m. was invested in U.K. equities and a similar amount in property. A total of £33m. ... gilts, offset by reductions of £14m. in other fixed interest securities, nearly £2m. in mortgages and house loans and almost £3m. in deposits.

The growth of new business enabled the company to offset the higher costs due to inflation. The benefit was a maintained level of bonus rates, says Mr. John Harvey, the chairman.

The company's Self Employed Retirement Plan continued to be a market leader and there has been increasing interest in the Capital Pension Plan, he adds.

At December 31, 1976 Ordinary long-term insurance funds stood at £197.41m. (£163.17m.). During the year £1.14m. was distributed in interim, terminal and vesting bonuses.

Meeting, 48, Gracechurch Street, EC, on May 17 at 12.15 p.m.

Loss deepens at George M. Whiley

Gold leaf and stamping foil makers George M. Whiley fell deeper into loss in the second half of 1976 to end the year with a pre-tax deficit of £0.33m. against £0.16m. on sales up from £3.01m. to £3.25m. The loss at halftime was increased from £13,000 to £0.12m. and the directors said that technical problems of production coupled with costs arising from relocating the factory at Livingston had hampered recovery.

The transfer of plant to Livingston has continued and will be completed in the near future. The directors say they are taking active steps to improve production techniques, to sell the properties in the south and to reduce overheads. Provided significant progress can be made in these areas in the coming months the company should once again operate on a profitable basis, they say.

The inherent financial strength which existed at the end of 1974 has enabled the group to finance the losses of 1975 and 1976, together with the substantial capital expenditure on the Livingston project. A solid financial position still exists on which recovery can be based, they add.

The loss per 25p share was 11.33p against earnings of 1.5p and again no dividend is to be paid. Dividend total for 1974 was 4.616p net.

Blackwood Hodge aims

THE SHORT-TERM objective of Blackwood Hodge, following a 10-year period of expansion, is to improve market penetration and profitability in the territories in which the group now operates, says Mr. W. A. Shapland, the chairman. Market surveys indicate the very substantial growth potential in these countries, he adds.

Group profits in 1977 are expected to be in excess of the £12.71m. (£11.66m.) achieved in 1976, on sales £63.88m. higher at £249.96m. (as reported on April 14). Mr. Shapland says that all possible steps continue to be taken to reduce inventory levels in order to minimise borrowing costs. Overheads are also under review, he adds.

The chairman says that 1976 was a record year in the U.K., but a loss of £44,000 was incurred in Europe despite a sales increase of 34.33 per cent. He attributes the loss to difficult trading conditions.

The reduction in trading profit in North America was due to a general loss of confidence in the Canadian economy and reduced activity in the construction and timber industries, members are told.

A geographical analysis of sales and trading profit shows (£000s omitted) U.K. £63,088 (£58,465) and £3,914 (£4,303), Europe £44,925 (£33,453) and £444 loss (£1,341 profit), Africa £60,075 (£41,364) and £10,361 (£6,274), Australia £28,696 (£21,441) and £1,080 (£1,061), and Asia £2,169 (£2,654) and £282 (£343), and North America £51,009 (£48,373) and £1,786 (£3,276).

Group net assets employed at the year-end amounted to £86.7m., an increase of £17.3m. The increase was made up of retained profits of £4.4m., an increase in amounts attributable to minority shareholders of £1.8m., unrealised exchange surpluses on properties of £1.6m., an increase in deferred tax of £3.3m., and the net proceeds of the Rights issue of £6.2m., it is stated.

Liabilities to bankers amounted to £82.4m., an increase of £16m. Net bank indebtedness increased by £11.2m. compared with an increase of £10.6m.

Accounts prepared on the current purchasing power basis show pre-tax profit of £10.31m., against £12.71m. on a historical cost basis.

Deferred tax stands in the balance sheet at £10.22m. (£7.03m.), and Mr. Shapland says that this amount, mainly attributable to the U.K., is unlikely to become payable within the foreseeable future.

Meeting, Dorchester Hotel, W., on May 23 at 12.30.

Peak £1.9m. by Jas. Shipstone

NOTTINGHAM-BASED brewing group James Shipstone and Sons reports an advance from £1.63m. to a record £1.91m. in pre-tax profit for 1976, on a turnover ahead at £13.94m. against £11.16m. The dividend is raised from 7.537p to 8.279p, with a final of 5.654p.

Mr. R. H. Pykett, chairman, says that these increases reflect the buoyancy of trading throughout the year, although there were indications towards the end that the rate of growth experienced in the last few years was decreasing.

Of six licensed premises being constructed last year one was completed and opened. Of the others, one at Northampton is in the new development area there and provides a base for further expansion in the region. Another two sites at Rainworth and Edwinstowe are in mining areas designated for development. It is hoped to open all of them this year and they should make a valuable contribution to the tied estate trade.

After tax the year's profit emerges at £954,498 against £802,462 and earnings per £1 share are 19.2p compared with 16.2p.

At December 31 there was an increase in short-term deposits of £440,000 (£310,000) and they stood at £1.3m.

Percy Lane expansion

A £1M. FACTORY extension to increase the production of its Percy Lane subsidiary by 20 per cent. is announced by the Percy Lane Group, the international manufacturers of factory glazed aluminium window assemblies and multi-storey disposal chute systems.

Comprising the construction of a new 20,000 sq. ft. manufacturing bay at the Planet works, Tamworth, on land specifically purchased for expansion purposes in 1972, the new extension will enable the subsidiary to expand production of windows for the transport industry and accommodate an increased intake of orders.

At March '77 the subsidiary's order book stood over 100 per cent. higher than at the same time last year.

One of the first orders to be manufactured in the new extension will be a sub-contract for the supply of the bodyside windows and cab windscreens for the mass transit train units destined for Hong Kong being built by Metro Cammell.

For the group as a whole the current year has started on a most encouraging note with a big increase in orders and sales. With demand continuing strongly, the additional capacity at Percy Lane and Para Press becoming available in the first half of 1977 will be put to good use, says Mr. Peter Lane, chairman.

Although a recovery in the building industry may not occur until 1978/79 he feels that by maintaining relatively small operations running profitably the group should be in a position to build this particular aspect of group activities into a strong position again.

Mr. Lane says that the group is better placed than ever before to cope with problems and he expects the results for the year to show further progress.

As reported April 2 group pre-tax profit jumped from £314,571 to £920,301 in 1976—this comprised U.K. profit £156,157 (£41,739 loss) and Luxembourg £770,144 (£356,330).

Meeting, Birmingham, May 27 at noon.

SHARE DISCLOSURES

17% stake in Hammerson

A HOLDING of 17 per cent. by Standard Life Assurance Company has been disclosed in Hammerson Property and Investment Trust, which on Saturday reported an expansion in pre-tax profit from £3.38m. to £3.83m. for 1976. The stake, amounting to 813,130 shares, was purchased in the name of Bank of Scotland (Stanlife) London Nominees.

London Trust Company holds 750,000 Ordinary shares in Automated Security (Holdings), amounting to 9.16 per cent. The company's names were transposed in the announcement of this holding in last Thursday's newspaper.

Reyrolle Parsons: The undermentioned directors have disposed of the following Ordinary stock—W. H. Bellon £500, R. S. Lock £1,150, D. McDonald £5,000, and G. L. Mold £1,000.

Scottish and Universal Investments: ACGB Investments, a wholly-owned subsidiary of Lonrho, has acquired 25,000 Ordinary shares. Lonrho's total interest in SUITS is now 7,739,548 Ordinary shares (24.88 per cent).

Southampton IoW and South of England Royal Mail Steam Packet Company: Brigadier J. A. Hunter has acquired 500 Ordinary shares (0.029 per cent.).

ERF (Holdings): L. Gardner and Sons holds 377,168 Ordinary shares (8.5 per cent.).

William Boulton Group: Gresham Investment Trust holds 1,796,417 (7.05 per cent.) Ordinary shares.

Estates and Agency Holdings: British Empire Securities and General Trust holds 18,000 5 per cent. Preference stock.

F. Wrighton and Sons (Associated Companies) Company: Ordinary; Mr. K. S. Wrighton, 328,625, Mr. J. I. Wrighton 276,578, Mr. A. P. Wrighton, 744,000, Mr. W. N. Wrighton 279,495, Mr. A. J. Wrighton, 264,557, Mr. N. S. Wrighton, 264,164, Mrs. L. S. Shadbolt, 256,270, Pearl Assurance Company 300,000 and Prudential Assurance Company 300,000.

Bridon: Mr. R. Elkington, a director, has sold 690 Ordinary shares and Mr. W. Hutchinson, also a director, has sold 4,698 Ordinary shares.

Ladbroke Group: Ordinary; Mr. C. Stein, chairman and managing director, and his wife, are beneficially interested in 2,137,316 (4.6 per cent.) and 217,268 (0.4 per cent.) in which Mr. Stein (jointly with Mr. E. W. Macadie) has a non-beneficial interest as a trustee. Mr. E. W. Macadie, deputy chairman, holds, non-beneficially as a trustee, 3,557,268 (7.6 per cent.), of which 3,340,000 (7.2 per cent.) are held jointly with Mr. G. L. Leigh (also holding non-beneficially as a trustee). The balance of 217,268 shares are those also shown above under Mr. Stein's name. Mr. MacAdie and his wife beneficially hold 28,602 (0.1 per cent.) shares.

James Capel bought on behalf of an associate of English and Caledonian 5,000 European Ferries at 69p.

Vickers Da Costa bought 3,270 Sheffield Brick at 95p and 23,400 at 96p for Grindlay Brandts.

Robert Fleming and Co. bought 10,000 Pilkington Bros at 325p for associates, being discretionary investment clients.

Bell and Sime: Dundee and London Investment Trust holds 36,000 Ordinary shares (9 per share); May and Hassell holds 32,500 Ordinary shares (8.125 per cent.) and John Fleming and Co. holds 39,900 Ordinary shares (9.975 per cent.).

Dixon Company: Matthews Holdings has sold 50,000 shares, not 10,000 as previously announced. This reduces Matthews' holding to 52 per cent.

Willis Faber: The undermentioned directors have notified the company of the following reductions in their respective interests in Ordinary shares—J. T. Faber, 46,372 beneficial, D. V. Palmer, 92,120 beneficial and 22,880 non-beneficial, J. O. Prentice, 100,000 beneficial and 50,000 non-beneficial, H. E. Gumbel 85,040 beneficial and 54,000 non-beneficial and R. N. Des, 100,000 beneficial.

Lyndale Engineering: Mr. R. J. Crockett holds 382,281 Ordinary shares (9.55 per cent.).

Rentokil Group: The trustees of the K. G. Anker-Peterson Will Trust beneficially hold 5,682,000 (9.02 per cent.) shares.

Precision Engineers: Globe Investment Trust holds 130,000 Ordinary shares.

G. Dew and Co.: Phoenix Ass. Co. holds 181,000 Ordinary shares.

Wilson Bros.: Fine Art Developments announce that in addition to the company's holding, 195,000 shares are held by the Pension Fund Trustees, making a total holding of 2,881,202 shares.

Geo. Wills and Sons (Holdings): G. and R. Wills has 9.26 per cent. Messrs. R. J. Clark, P. A. Wills and P. G. R. Wills (last two named being directors) have 7.64 per cent. P. A. Wills (chairman) holds 5.02 per cent.

British Electric Traction Company: Eagle Star Group holds 50,000 6 per cent. cumulative participating preference shares (7.02 per cent.).

London Brick Company: Mr. Kenneth McAlpine, director, bought on April 26, 1,900 shares at 50½p.

Eagle Star Insurance Company: Marquess of Linlithgow, a director, bought 1,470 shares on April 27 at 117p. These shares are held by Lord Linlithgow beneficially.

Romney Trust: Guardian Royal Exchange Assurance holds 75,075 5 per cent. cumulative preference stock (6.78 per cent.).

W. and J. Glossop: Construction Trade Investments beneficially holds 342,750 Ordinary shares (7.37 per cent.).

Oil Exploration (Holdings): Viking Resources Trust holds 1,051,298 shares (8.34 per cent.) and British Assets Trust holds 997,090 (7.87 per cent.).

Richardsons, Westgarth and Company: Prudential Assurance Company holds 5.25 per cent. Ordinary shares.

Leonard Fairclough: Securities Management Trust, AA account, holds 910,000 Ordinary shares (9.7 per cent.).

Reed and Smith Holdings: Mr. O. A. Stratton has purchased 3,250 Ordinary shares.

Vickers: Eagle Star Ins. Co. holds 380,000 Cum. Pref. stock (5.24 per cent.), Phoenix Ass. Co. holds 436,000 (6.35 per cent.) Cum. Pref. stock and Guardian Royal Exchange Group holds 352,000 (5.12 per cent.) Cum. Pref. stock and 41,250 5 per cent. Pref. stock (5.5 per cent.).

Linfood Holdings: D G. Linnell, a director, has sold 15,000 shares.

Fodens: Cobroad Investments holds 216,055 10 per cent. Conv. Red. Cum. Pref. stock (5.81 per cent.).

Allied Textiles Companies: Mr. D. Fearnley has sold 2,800 Ord. shares.

Tor Investment Trust: Investment Trust Secs. holds 69,531 4½ per cent. Cum. Pref. stock and 19,187 6 per cent. Cum. Pref. stock and National Farmers Union Mutual Ins. Society holds 12,034 6 per cent. Cum. Pref. stock.

John Lewis and Co: Eagle Star Life Funds holds 280,000 5 per cent. First Cum. Pref. stock (5.33 per cent.). Eagle Star Investments holds £70,000 7 per cent. Cum. Pref. stock (9.33 per cent.) and Scottish Mutual Assce. Society holds £50,000 (6.6 per cent.).

Sale Tilney and Co.: Electra Investment Trust holds 450,000 Ord. shares (19.87 per cent.).

Heron Motor Group: Solsgirth Investment Trust Co. holds 637,560 Ord. shares (5.1 per cent.).

Centrovincial Estates: Mr. B. Gold, a director, has sold 10,000 Ord. shares.

Provincial Cities Trust: Cornhill Ins. Co. (and Assoc.) hold 477,500 Ord. shares (9.85 per cent.).

West Hampshire Water Co.: United Kingdom Temperance and General Provident Institution holds £35,000 3.5 per cent. (formerly 5 per cent.) Ordinary stock (8 per cent.).

Trafford Carpets (Holdings): Mr. N. A. McNeill and others hold 142,484 Ordinary shares (9.89 per cent.) Mr. McNeill holds 500 Ordinary shares in his own right.

Scottish National Trust Co.: Eagle Star Group holds 120,000 8 per cent. Cumulative Preference stock (8 per cent.).

Birmingham Mint: ITC Pensions Trust, jointly with ITC Pension Investments holds 100,000 Ordinary shares (5 per cent.). Finsbury Pavement Nominees holds 105,000 Ordinary shares (5.25 per cent.) and National Transport Tokens holds 301,223 Ordinary shares (15.06 per cent.).

Scottish United Investors: Guardian Royal Exchange Assurance Group holds 171,000 5 per cent. Cumulative Preference stock (6.9 per cent.).

Brittains: Norwich Union Insurance Group holds 767,138 Ordinary shares (6.8 per cent.).

Martin the Newsagent: Royal London Mutual Ins. Society holds 281,723 Ordinary shares (5.37 per cent.). In addition, the Staff Pension Fund of the Royal Mutual holds a further 52,460 Ordinary shares.

Revertex Chemicals: Prudential Ass. Co. holds 600,000 Ordinary shares (6.32 per cent.).

J. W. Wassal: Lapworth Investment Trust, holds in the name of Lloyds Bank (Branches) Nominees, 3,400 7½ per cent. £1 cum. preference stock (6.8 per cent.) and J. F. Nash Holdings holds 83,250 Ordinary shares.

General Scottish Trust: Guardian Royal Exchange Ass. holds 18,000 preference shares (5 per cent.) and Anglo-American Secs. Corpn. holds 475,000 Ordinary shares (5.445 per cent.).

Inveresk Group: Scottish United Investors beneficially holds £130,000 8 per cent. cum. first preference stock.

Lesney Products and Co.: On March 29, company announced that the substantial interest of Mr. N. W. Smith in Ordinary shares was reduced by 400,000 shares on March 21. As a result of the said shares being advanced to beneficiaries under a settlement, the company has now been notified that same transaction also had the effect of reducing the non-beneficial interest of Mr. L. C. Smith (a director), by 400,000 Ordinary shares (1.4 per cent. of that class). The company has also been notified that Mr. L. C. Smith's non-beneficial interest in the Ordinary shares was reduced by 11,281 shares on February 18 as a result of a sale by trustees of settlements from which such interest was derived. Upon the redemption by the company of its £1m. debenture stock 1990-95 on March 31, Mr. L. C. Smith's interest in £59,000 of such stock ceased (5.9 per cent.).

Safeguard Industrial Investments: Lloyds Bank holds 605,000 (5.5 per cent.) Ordinary shares.

Coats Patons: Prudential Assurance Company holds 15,600,579 Ordinary shares (5.64 per cent.).

Bua Estates: Warren Plantation Holdings holds 111,500 Ordinary shares (8.2 per cent.).

Percy Bilton: R. W. A. Groom has sold 643 Ordinary shares.

HTV Group: Mr. G. H. Sylvester, a director, has sold 1,300 non-voting Ordinary shares.

Anglo-Welsh Investment Trust: The trustees of the BBC New Pension Scheme hold 225,000 Ordinary shares (5 per cent.).

Proprietors of Hays Wharf: The Smith Trustee Company holds 1,353,585 Ordinary shares.

Brunner Investment Trust: T. B. H. Brunner, a director holds 1,076,206 Ordinary shares beneficially and 338,000 as a trustee, a total of 1,414,206 (8.8 per cent.) and also holds £1,150 5 per cent. preference stock (0.25 per cent.); Sir Marcus Worsley holds 504,768 Ordinary shares beneficially and 468,783 as a trustee, a total of 973,551 (6.1 per cent.).

United States Debenture Corporation: Prudential Group holds 2,328,100 Ordinary shares (5.79 per cent.).

Merchants Trust: Guardian Royal Exchange Ass. Grp. through its subsidiary, Essex and Suffolk Ins. Co., Guardian Ass. Co., and Guardian Ass. Co. (G Account) holds 79,500 4½ per cent. Cum. Pref. stock (6.75 per cent.). Eagle Star Life Fund holds 90,000 4½ per cent. Cum. Pref. stock (7.64 per cent.).

English and Caledonian Investment Co.: Prudential Ass. Co. holds 1,734,300 Ord. shares (12.04 per cent.).

Grange Trust: Guardian Royal Exchange Ass. Group beneficially holds £53,000 5 per cent. Cum. Pref. stock (13.2 per cent.) and London and Manchester Ass. Co. beneficially holds 681,500 Ord. shares (7.1 per cent.).

Lyon and Lyon: Mr. J. R. Illingworth, a director, has acquired 3,000 Ord. shares and Mr. H. A. Anker, also a director, has acquired 543 Ord. shares.

Great Northern Investment Trust: Prudential Ass. Co. holds 6,103,128 Ord. shares (12.58 per cent.).

Liden Holdings: Prudential Ass. holds 442,000 Ord. shares (8.65 per cent.). ITC Pension Trust holds 300,000 Ord. shares (5.88 per cent.) and N. Clothier holds 1,285,300 Ord. shares (25.18 per cent.).

British Steam Specialties Grp: Mr. K. H. Chapman, a director, has acquired 332 Ord. shares.

National and Commercial Banking Grp: Guardian Royal Exchange Ass. Grp. holds 26,300 11 per cent. Cum. Pref. shares (5.26 per cent.).

A. Gallenkamp and Co: Mr. J. P. Oldfield, a director, notified the sale of 2,000 Ordinary shares held in his wife's name (remaining holding, 2,000 self and 3,000 wife).

New York and Gartmore Investment Trust: Mr. L. G. Whyte, a director, beneficially holds 22,000 Ordinary shares.

Britton Estates: Royal Insurance Company holds 2,216,081 Ordinary shares (6.85 per cent.), John James Group of Companies holds 14,500 5 per cent. Cumulative Preference shares (8.66 per cent.), and Guardian Royal Exchange Assurance Company holds 16,787 5 per cent. Cumulative Preference shares (11.19 per cent.).

Parker Timber Group: Mr. P. R. Stevens has sold 1,300 Ordinary shares.

British Home Stores: Guardian Royal Exchange Assurance Group holds £29,500 7 per cent. Cumulative Preference stock (7.4 per cent.).

English and Scottish Investors: Guardian Royal Exchange Assurance Group and its subsidiaries hold 125,000 5 per cent. Preference stock (12.5 per cent.) and Eagle Star Group holds 90,000 5 per cent. Preference stock (9 per cent.).

Geo. G. Sandeman Sons and Co: Prudential Ass. Co. holds 535,000 Ord. shares (5.16 per cent).

Hambro Life Assurance: Mr. J. G. Joffe, a director, has sold 6,000 shares.

Unochrome International: Mr. B. Owens has purchased a further 10,000 shares. The number controlled by Mr. Owens and his family is now 720,000 (4.3 per cent.).

KIO holdings

A FURTHER MAJOR holding by the Kuwait Investment Office in a U.K. company has been disclosed. The company is Altifund, an investment trust with the stated intention of investing predominantly in the Ordinary shares of other U.K. resident investment trusts. The KIO holds 390,000 income shares which represents 16.25 per cent.

Sale Tilney and Co.: Mr. F. A. P. King has bought 334 Ord. shares.

G. Dew and Co.: Mr. G. Dew has disposed of 8,000 Ord. shares and Mrs. P. A. J. Dew has disposed of 1,500 Ord. shares.

Beaumont Properties: London and Manchester Ass. Co. holds 785,000 Ord. shares and their subsidiary Welfare Ins. Co. holds 75,000 Ord. shares.

Ferry Pickering Grp: Britannic Ass. Co. holds 242,000 Ord. shares (6.24 per cent.) and Sun Alliance and London Ins. Grp. holds 288,000 (6.7 per cent.).

Williamson Tea Hldgs: Romai Tea Hldgs has purchased a further 5,000 Ord. shares and now holds a total of 575,000 (25.13 per cent.).

Brown and Tawse: Mr. S. D. Bae, a director, holds 654,714 Ord. shares (5.5 per cent.).

Hunslet (Holdings): J. F. Alcock, a director, holds 71,433 Ordinary shares (5.95 per cent.) and G. D. Gawthorpe, also a director, holds 131,560 (10.96) Ordinary shares beneficially and 70,000 (5.83 per cent.) as a trustee. Mrs. G. O. Alcock holds 92,748 Ordinary shares (7.73 per cent.) and Mrs. M. B. Gawthorpe holds 61,160 (5.1 per cent.) Ordinary shares.

Trust Union: Prudential Assurance Company holds 1,121,554 (5.2 per cent.), Industrial and General Trust holds 6,522,480 (30.2 per cent.) and The Trustees Corporation holds 1,392,480 (6.4 per cent.) Ordinary shares.

London Shop Property Trust: Eagle Star Life Fund holds 503,332 (4.26 per cent.) Ordinary shares, Eagle Star Investments holds 133,914 (1.15 per cent.) and British Crown holds 10,000 (0.08 per cent.) Ordinary shares. In addition, the Eagle Star Group's Widows Benefit Scheme holds 15,000 Ordinary shares.

Parambe: Mr. F. G. Hammond holds 249,500 shares (approximately 8.65 per cent.).

BBA Group: Mr. C. M. Fenton, managing director, holds 2,389,172 Ordinary shares (5.25 per cent.).

Epicure Holdings: Mr. R. D. Young has purchased 2,500 shares and Winslde Finance has purchased 2,500 shares.

Booker McConnell: Mr. J. A. Haynes, a director has purchased 6,000 Ordinary shares.

Dolan Packaging: Canadian Overseas Packaging Industries holds 562,021 Ordinary shares (6.38 per cent.), Mr. R. E. T. Nicholls, a director of Dolan, holds non-beneficially 1,868,503 (21.2 per cent.) shares and G. Dolan holds 1,083,594 (12.31 per cent.) shares.

M. P. Kent: Mr. M. P. Kent, chairman and managing director, has disposed of 20,000 Ordinary shares.

Lake View Investment Trust: Eagle Star Group holds 9.41 per cent. not 0.41 per cent. as previously announced.

Lake View Investment Trust: Guardian Royal Exchange Ass. Co. and subsidiaries hold £56,750 5 per cent. cum. preference stock (10.5 per cent.).

Scottish Metropolitan Property Company: Mr. D. Walton has sold 20,000 shares held in his own name and Mr. H. Walton, a director, has sold 1,200 held in the name of Mrs. S. Walton.

Photax (London): Royal London Mutual Ins. Society holds 100,000 Ordinary shares (5 per cent.).

Lyndale Engineering: Mr. R. J. Crocket holds 382,281 Ordinary shares (9.55 per cent.).

Ladbroke Group: Mr. E. W. Macadie, a non-executive director, has sold 50,000 Ordinary shares held jointly with Mr. G. L. Leith as non-beneficial trustees.

William Press and Son: Mr. J. R. Martin, a director, holds non-beneficially as a trustee, 6,607,972 Ordinary shares (11.06 per cent.). He also holds beneficially, 33,815 Ordinary shares.

Kennedy Smale: J. A. Saunders holds 381,594 shares.

M.L. Holdings: Hampson Group of companies holds 170,000 Ordinary shares (8.5 per cent.), ITC Pension Trust holds 110,000 (5.5 per cent.), Throgmorton Street Nominees holds 192,500 (9.6 per cent.) and Sun Alliance and London Ins. Group holds 11,000 (5.5 per cent.) Ordinary shares.

Stead and Simpson: John Blundell holds 351,146 shares, H. E. G. Gee holds 120,000 shares, G. S. Gee holds 145,837 shares and Mrs. M. Mitchell, Newton Beare, Doland Sheard Hunt and James Ian Mitchell hold 87,100 shares.

Louis C. Edwards and Sons (Manchester): Mr. C. M. Edwards has purchased 130,000 Ordinary shares from Mrs. M. Edwards, a director.

Hellenic and General Trust: Guardian Royal Exchange Ass. beneficially holds £68,564 5 per cent. cum preference stock (6.85 per cent.).

Senior Engineering Group: Mr. Hargreaves, a director, has sold 45,000 shares of which 22,500 were previously part-paid restricted and a further 22,500 previously restricted, but fully paid.

L.K. Industrial Investments: Linkon holds 137,700 Ordinary shares (5.78 per cent.) and Mr. R. C. Tomlinson holds 280,623 Ordinary shares (11.78 per cent.).

Allied Insulators: Prudential Group holds 470,830 Ordinary shares (6.23 per cent.) and Britannic Ass. Company holds 850,000 (9.44 per cent.) Ordinary shares.

Second Alliance Tst Co.: Eagle Star Grp. holds £80,000 4½ per cent. cum. pref. stock (10 per cent.).

Buckley Brewery: Britannic Ass. Co. holds 675,000 (6.23 per cent.), Whitbread and Co. holds 704,000 (6.6 per cent.) and Whitbread Wales holds 1,186,666 (1[illegible] per cent.) Ordinary shares.

Lead Industries GRP: London Indemnity and General Ins. Co. holds 70,000 4.9 per cent. pref. [illegible] Ordinary shares (7.7 per cent.) and Prudential Ass. Grp. holds 1,846,735 Ordinary shares (5.[illegible] per cent.).

LABOUR NEWS

Move to modify worker-director Post Office plan

BY CHRISTIAN TYLER, LABOUR CORRESPONDENT

THE GOVERNMENT is seeking to modify a scheme for putting worker-directors on the Post Office Board, agreed between the PO and its unions, following Liberal Party pressure.

Liberal MPs, whose influence on proposed legislation is formally recognised by the Lib-Lab pact, have warned they will not support the Government on a Bill to reconstitute the PO Board, promised for this session, without two prior assurances.

The first is that there must be at least five independent members—the present plan is for four—of whom two must be "genuine consumer representatives" appointed after consultation with the Secretary for Prices and Consumer Protection.

The second is that the two-year experiment must not be allowed to run beyond that period without another vote in Parliament. Liberals say that assurance has been given.

The Department of Industry is expected to tell the unions—possibly at a tripartite meeting this week—that instead of six management directors, six worker-directors and four independents, the numbers should be increased to 7:7:5.

There would still be provision for an extra seat for an independent chairman, making 20 seats in all instead of 17.

According to Mr. Richard Wainwright, Liberal spokesman on industry, yesterday, the Liberals had not specified who should be the consumer representatives should be.

But the Department is said to be thinking of the Post Office Users National Council for one seat. When the union-PO agreement was reported, POUNC protested vigorously.

Meanwhile, the Carter committee on PO structure, which is recommending that the post and telecommunications divisions be split, has protested — with Liberal backing—that the industrial democracy plan should have waited until their report was presented. This report is expected to go to Ministers this week.

Civil servants' bid for moderate chief

BY DAVID CHURCHILL, LABOUR STAFF, IN SOUTHPORT

A BID to recapture for the "moderates" the presidency of the largest civil service union, the 230,000-member Civil and Public Services Association, will be made to-day at the union's annual conference in Southport by former incumbent Mrs. Kate Losinska.

Mrs. Losinska, a Right-winger, was ousted from the key policy-making job of president at last year's conference after a bitter legal wrangle with the union's executive over a magazine article she had written. This alleged that extreme Left-wing political activists were attempting to infiltrate and subvert the Civil Service.

The result of the election—in which Mrs. Losinska will attempt to unseat the present Left-backed president, Mr. Len Lever—will be closely watched in Whitehall to see if the expected moderates' revival in the union takes place.

Even if Mrs. Losinska fails to recapture the presidency, many in the union expect the moderates to overturn the present Left-wing majority on the union's national executive in separate elections.

This intense political rivalry within the union, which represents mainly clerical and junior grade civil servants, seems likely to dominate the conference.

The main debate on pay policy will take place to-day and delegates are expected to support the executive's resolution calling for a return to free collective bargaining and the re-introduction of the civil service pay agreement which links pay rises to those in the private sector.

NEWS ANALYSIS — BRISTOW HELICOPTERS

Digging in for the battle

BY NICK GARNETT, LABOUR STAFF

THE NORTH SEA helicopter dispute looked like a two-day wonder when it began early in April. It is now in its third week, and has all the makings of a long and bitter union recognition battle that could go far wider than Bristow Helicopters of Aberdeen.

Certainly, Mr. Alan Bristow, the company's tough-talking boss, is digging in for a battle of principle with the British Airline Pilots Association.

The dispute began with the dismissal of a pilot, Captain Peter Royston, amid claims and counter-claims of contract-breaking. The issue now is the company's attitude not to Captain Royston but to the other pilots on strike.

But it goes further than that to embrace Bristow Helicopters views about unionisation among North Sea flight services generally. What is happening to Bristow and the British Airline Pilots Association cannot be divorced from the the wider issue of unionisation of North Sea operations, still virtually virgin territory for unions and companies alike.

Capt. Royston was dismissed on 3 months' pay for refusing to take a post overseas. BALPA, of which he is a member, says his letter of appointment states clearly that he was taken on only to fly in the U.K. and Europe. Bristow argues that his actual contract—presumably as distinct from the letter—demands that he fly in any area "reasonably requested" by the company — and that means world-wide.

Even if that issue could be sorted out with the help of the Advisory, Conciliation and Arbitration Service—whose officials Mr. Bristow has now agreed to meet—the immediate problem has moved a stage further.

Bristow claims that the oil companies served by the firm were so shaken at the possible effects of a collapse in the helicopter service that they instituted a flight rationalisation programme which, being cheaper, they will now retain. It says it will never recover the work that has been lost. The result, the company adds, is that there is no longer work for all 52 pilots dismissed in the dispute.

Mr. Bristow himself says that under no circumstances will all the pilots be taken back.

"They've just cut their own throats."

Mr. Bristow, a forthright, abrasive man with a penchant for Rolls-Royces, horse "buggy" racing and good food, says he is not anti-union, but accuses BALPA of trying to get full unionisation in North Sea flight services.

The Aberdeen-based inter-union offshore committee which includes about a dozen unions interested in North Sea recognition has for long been trying to mobilise union power in the North Sea.

If the Bristow dispute drags on, it could as as a catalyst on what so far has been a relatively peaceful and diplomatic campaign nursed along by Mr. Anthony Wedgwood Benn, Energy Secretary.

Bristow claims it is operating all the flights asked of it—thanks to non-union pilots and at least 10 BALPA members at Aberdeen, pilots from its other centres on the east coast, and a mysterious supply of aviation fuel, the source of which Mr. Bristow refuses to identify.

Rig and platform crews are still being moved by Bristow.

Meanwhile, two ironies remain. Capt. Royston, around whom the dispute blew up, is still being paid by the company while the other strikers, deemed to have broken their contracts "knowingly," are not.

Also, the oil companies say that because of "blacking" by the NUS, there is only one service they can count on totally—and that 's Bristow Helicopters.

Glyn Genin

Mr. Alan Bristow: Penchant for Rolls-Royce and horse racing.

HOME NEWS

Car rental groups in commission war

BY ARTHUR SANDLES

CAR RENTAL rates may have to be increased as a result of a commission war which has broken out between the major groups in the European market. Late last week Avis increased its commission to a basic 20 per cent. from 15 per cent.

This matches a move earlier in the week by Hertz, which not only increased its commission to travel agents but stuck to previous arrangements which can give a travel agent 33.3 per cent. commission on reservations above a given target.

Avis gives Green Shield stamps to its travel agents.

The battle was started by Europcar two weeks ago. The French company announced that it would be paying its travel agency outlets 20 per cent. commission. Europcar is a rapidly growing group which has recently been expanding its interest in Britain. It suffered a setback when it failed to win a franchise within London's Heathrow terminals.

Hertz said: "This increased commission continues our programme to enhance the relationship between travel agents and Hertz. The new rate means it is possible for travel agents to earn from Hertz the highest available car rental commission."

In apite of these brave words —there seems little doubt that Hertz is not enthusiastic about a price and commission war. Certainly this is true of Avis. Mr. David Longridge, group vice-president international operations for Avis said: "This may be good news for the travel agent, but in the long term it may not be best for the consumer."

There is a clear view in some quarters of the industry that the only way the car rental companies can afford such a war is to build the increased commission into rental rates.

Some companies fear that if increased commission is paid to travel agents many business houses will insist on their own discounts, normally 10 per cent. in Britain, being increased substantially. The impact on revenue could be appreciable since as much as 75 per cent. of European car rental is business rental and much of this comes through either travel agents or travel managers within companies.

EEC farm policy reform urged by Hattersley

A MAJOR change in the way the Common Market determines its farm prices wes urged on Saturday by Mr. Roy Hattersley, the Prices Secretary.

Operation of the Common Market Agricultural Policy wes nothing more than bizarre, said the Minister. A "severe fundamental" change was needed to make the market work for its 250m. people.

Mr. Hattersley told the National Federation of Young Farmers' Clubs at Blackpool that the butter mountain and wine lake were merely visible symptoms of an inadequate policy.

He said it was basically wrong that the EEC should go on creating such surpluses, and encouraging surplus production, by keeping support prices unnaturally high.

It was "preposterous" that within the EEC prices of produce almost permanently in surplus should be put up so much that farmers were encouraged to produce more.

And it was absurd that surplus produce, which was exported, destroyed or hidden away, should almost always cost above the average to grow.

Mr. Hattersley, one of Labour's pro-marketeers "from the very beginning" said that nothing had happened to make him change his mind that Britain's future lay within the EEC.

"But playing a full and active part entitles us to criticise those institutions which are in desperate need of change," he said.

Gatwick cargo shed opens

The first shed of a new 101,000 square feet £8m. cargo terminal at London's Gatwick Airport goes into action to-day. It is operated by Gatwick Handling.

Miners 'will shun Ashfield Tory'

BY OUR CHESTERFIELD CORRESPONDENT

NOTTINGHAMSHIRE miners may give the cold shoulder to Mr. Timothy Smith, Conservative victor of the Ashfield by-election, if he tries to meet them.

The warning came from Mr. Len Martin, secretary of the 34,000-strong Nottinghamshire Area of the National Union of Mineworkers, on the eve of Mr. Smith's debut at Westminster to-day. He said: "We want nothing to do with him. As far as the miners are concerned we would prefer it if he stayed well away from us."

Mr. Smith, an Oxford graduate, wiped out Labour's majority of 23,000 in the Ashfield by-election, and won by 264 votes. Many of the 19,000 miners in the constituency abstained from voting, apparently in protest at the Government-TUC social contract.

Mr. Martin said: "We knew it would be a close thing but we didn't think for a minute that a Tory would take over Ashfield. I doubt that any miner will ever want to meet him.

"If he wants to meet us he will have to go through the union channels and get the agreement of our members. Even though some miners abstained from voting they are still Labour and always will be. The last thing we want in a Tory coming to the colliery."

Mr. Smith does not believe there will be difficulties in his relationship with the miners. He said at the week-end: "I visited Pye Hill colliery during my election campaign, met the miners and went down the pit, and I was given a very warm welcome.

"I am quite aware of any problems and grievances the men may have, and I will be doing my best to sort them out. Thousands of miners here must have voted Conservative—the results prove it—so I don't believe all the men are anti-Tory."

Rubbish strike called off in Liverpool

WORK WILL start in Liverpool to-day on moving about 20,000 tons of rubbish which has accumulated during a three-week unofficial strike by 1,000 dustmen and street sweepers over bonus payments.

About 600 of the men decided at a week-end mass meeting to return to work. They were voting on a deal which provides the binmen with a £1-an-hour bonus for the next five weeks. The street sweepers will get the extra £1 for only a fortnight.

The men had claimed an additional £1.25p an hour bonus for the next eight weeks.

WEEK'S FINANCIAL DIARY

The following is a record of the principal business and financial engagements during the week. The Board meetings are mainly for the purpose of considering dividends and official indications are not available whether dividends concerned are interims or finals. The sub-division shown below is based mainly on last year's timetable.

TO-DAY

COMPANY MEETINGS—

[illegible]

BOARD MEETINGS—

[illegible]

DIVIDEND & INTEREST PAYMENTS—

[illegible]

TO-MORROW

COMPANY MEETINGS—

[illegible]

BOARD MEETINGS—

[illegible]

DIVIDEND & INTEREST PAYMENTS—

[illegible]

WEDNESDAY, MAY 4

COMPANY MEETINGS—

[illegible]

BOARD MEETINGS—

[illegible]

Interims:

Bellway Hldgs.

Casket (S.)

London and Provincial Shop Centres

Moss Engineering

DIVIDEND & INTEREST PAYMENTS—

African Lakes A 4.4p

Banro Consolidated Industries 3.5p

Barnsley 11¼pcBds. Red. 4.5.77 £5.8099

Basildon 11¼pcBds. Red. 4.5.77 £5.8099

Beaconsfield 11¼pcBds. Red. 4.5.77 £5.8099

Belfast 6½pc Red. 77-80 3¼pc

Blackburn 11¼pcBds. Red. 4.5.77 £5.8099

Brighton 11¼pcBds. Red. 4.5.77 £5.8099

Canterbury 6¾pcBds. Red. 4.5.77 £3.2640

[illegible]

THURSDAY, MAY 5

COMPANY MEETINGS—

[illegible]

BOARD MEETINGS—

[illegible]

DIVIDEND & INTEREST PAYMENTS—

[illegible]

FRIDAY, MAY 6

COMPANY MEETINGS—

[illegible]

BOARD MEETINGS—

[illegible]

DIVIDEND & INTEREST PAYMENTS—

[illegible]

SATURDAY, MAY 7

DIVIDEND & INTEREST PAYMENTS—

[illegible]

SUNDAY, MAY 8

DIVIDEND & INTEREST PAYMENTS—

[illegible]

Businessman's Diary

U.K. TRADE FAIRS AND EXHIBITIONS

Date	Title	Venue
Current	Foundry 77 Exhibition (cl. May 6)	Nat. Exbn. Centre, B'ham.
Current	Incentive Mktg. & Sales Promotion Ex. (cl. May 4)	Metropole Centre, Brighton
May 10—12	National Word Processing Exbn. and Conf.	Cunard Int. Hotel, W.6
May 12—14	EIA Engineering Exhibition	Norwich
May 13—15	International Air Fair	Biggin Hill
May 15—18	Int. Confectionery, Tobacco & Newsagency Exbn.	Olympia
May 16—20	Telecommunications Equipment Exhibition	U.S. Trade Center, W.1
May 16—21	International Mechanical Handling Exbn.	Nat. Exbn. Centre, B'ham.
May 17—20	London Electronic Component Show	Olympia
May 17—20	Italian Gifts & Fancy Goods Exhibition	Italian Trade Centre, W.1
May 17—20	International Drawing Office & Graphics Ex.	West Centre Hotel, S.W.6
May 24—26	National Safety Exbn. & Conf.	Harrogate
May 24—27	Int. Domestic Electrical Appliances Trade Fair	Nat. Exbn. Centre, B'ham.
May 27—29	Blackpool Air Pageant	Blackpool
May 31—June 3	Scottish Handling, Plant Engineering Exbn.	Glasgow

OVERSEAS TRADE FAIRS AND EXHIBITIONS

Current	International Trade Fair (cl. May 15)	Paris
May 9—14	International Shipping Exhibition	Oslo
May 10—12	Compec Europe '77—Computer Exbn.	Brussels
May 10—13	Clothing Textiles Trade Fair	Frankfurt
May 13—22	International Agricultural Fair	Novi Sad
May 27—June 5	International Padua Fair	Padua
June 1—10	Barcelona International Fair	Barcelona
June 3—12	International Aeronautical Exbn.	Paris
June 3—16	International Printing & Paper Fair	Dusseldorf
June 4—12	Civil Engineering & Constr. Site Equipment Exbn.	Brussels

BUSINESS AND MANAGEMENT CONFERENCES

To-day	Department of Industry: Terotechnology 77—Profit Through Care (cl. May 6)	Grosvenor House, W.1
May 4—5	Association of Mining, Electrical & Mechanical Engineers: Extraction, Transportation and Utilisation of Mineral Resources	Wilmslow, Cheshire
May 4—6	Seminar Services International: Tax Planning Conference	Montreux
May 5	Business Scotland: The Implications of Devolution or Independence for Business in Scotland	Albany Hotel, Glasgow
May 5—6	Business & Industrial Training, Vehicle Recovery	Wembley Conf. Centre
May 8—11	International Association of Financial Executives—World Congress	Dublin
May 9—12	Inbucon: Improving Industrial Relations	St. Andrews, Fife
May 10—11	Arabian Marketing Research: Building, Construction and Civil Engineering in Arabia	Café Royal, W.1
May 11	Junior Chamber of Commerce for London: Finance to Latin America	Cumberland Hotel, W.1
May 11	Marchmont Conferences: The 1977 Finance Bill explained	Inn on the Park, W.1
May 11—12	Financial Times: Tax, The Finance Bill and Britain's Prospects	Royal Lancaster Hotel, W.2
May 12	Legal Studies & Services: Rent Reviews Problems	Inter-Continental Hotel, W.1
May 16—18	World Trade Institute: Doing Business in the United States	World Trade Centre, E.1
May 16—20	P-E Consulting Group: Production Management	Training Centre, Egham
May 16—20	Abraxas: Synetics-Innovative Skills	68, Churchway, N.W.1
May 18	Staniland Hall Associates, Economic Forecasting & Business Planning Models	Carlton Tower Hotel, S.W.1
May 19	The Henley Centre for Forecasting: Energy Costs—Forecast for the next decade	Carlton Tower Hotel, S.W.1
May 19	Wheatland Journals: Asbestos Removal	London Tara Hotel, W.8
May 20—22	West Midlands Productivity Association: The Legal Implications of Quality	Stratford-upon-Avon
May 22—25	Wales International Management Centre: Managerial Finance	Bournemouth
May 23—25	Brunel University: Investment for Production	Uxbridge
May 24	British Shippers' Council: Air Cargo—New Concepts	Café Royal, W.1
May 24	Institute of Purchasing & Supply: Chemical Purchasing in To-day's Economic Climate	Sudbury House, E.C.1
May 24—25	Institute of Chartered Accountants: Implementing Current Cost Accounting	Newcastle
May 24—26	European Association for Industrial Marketing Research: Annual Conference—New Patterns of Int. Trade & Impacts on Marketing Research	Helsinki
May 26	P-E Consulting Group: Solving Problems by Simulation	London
May 26—27	Financial Times, The Banker, Forex Research: The Management of Foreign Exchange Risks	Dorchester Hotel, W.1
May 27	British Institute of Management: Credit Control	Management House, W.C.2
May 31—June 1	Financial Times, Aerospace Daily, Air et Cosmos, Aviation Daily: World Aerospace in 1977	Paris
June 1	Imperial College: International Finance	Exhibition Road, S.W.7

Parliament

TO-DAY

Commons: Debate on Rural Transport. Debate on Construction Industry. Redundancy Rebates Bill, remaining stages.

Lords: Administration of Justice Bill, second reading. Agricultural and Horticultural Co-operation (Variation) Scheme 1977. Employment and Training Act, 1973 (Temporary Powers) (Continuation) Order, 1977. Construction of Roads (Time Limit) Bill, second reading. Southern Rhodesia (UN Sanction) Order, 1977. International Fund for Agricultural Development (Immunities and Privileges Order), 1977. Social Security (Misc. Provisions) (NI) Order, 1977, International Monetary Fund (Immunities and Privileges) Order, 1977.

Select Committees: Expenditure—General sub-committee. Subject: Developments in the Civil Service. Witness: Sir Douglas Allen (4.15 p.m., Room 8). Expenditure—Education, Arts and Home Office sub-committee. Subject: Attainments of the school leaver. Witnesses: Association of University teachers, Committee of Vice-Chancellors and Principals of the Universities of the U.K. (4.15 p.m., Room 13).

TO-MORROW

Commons: Criminal Law Bill (Lords), second reading.

Lords: Debate on direct elections to the European Parliament.

Select Committees: Nationalised Industries sub-committee A. Subject: Report and Accounts. Witnesses: British Transport Docks Board (4 p.m. Room 8).

WEDNESDAY

Commons: Debate on Royal Air Force. Motion on Carriage of Goods (Prohibition of Discrimination) Regulations.

Lords: Debate on International Covenants on Human Rights.

Select committees: Expenditure—Trade and Industry sub-committee. Subject: Fishing Industry. Witnesses: Department of Trade. (4 p.m. Room 10). Overseas Development. Subject: Trade policy and aid policy. Witnesses: Crown Agents. (4.15 p.m. Room 6). Expenditure — Social Services and Employment sub-committee. Subject: Public Expenditure White Paper, health and social services section. Witnesses: Department of Health and Social Security. (4.30 p.m., Room 5).

THURSDAY

Commons: Debate on fourth report from Commons (Services) Committee on size of Hansard. Debate on sport and recreation.

Select Committees: Race Relations and Immigration. Subject: Government assumptions about potential immigration. Witnesses: UKIAS. (4 p.m. Room 15).

FRIDAY

Commons: Private Members' Bills.

Entertainment Guide

OPERA & BALLET

THEATRES

OPEN AIR, Regent's Park. 486 2431. LOVE'S LABOUR'S LOST from 27 May. HENRY V opens 14 July. Then in repertory. Booking now.

OLD VIC. Reopens Tmor. 928 7616. PROSPECT THEATRE COMPANY Eileen Atkins as SAINT JOAN Tomor. 7 Wed. 7 (note times). Subs. evngs. 7.30. Mats. Thur. & Sat. 3. Timothy West in War Music opens 23 May. Derek Jacobi as Hamlet opens 27 May.

PALACE. 01-437 6834. Mon.-Fri. 8.00. Fri., Sat. 6.00, 8.40. JESUS CHRIST SUPERSTAR

CINEMAS

ART GALLERIES

MARLBOROUGH, 6, Albemarle St., W.1. R. B. KITAJ—Pictures April 27 until June 4. Mon.-Fri. 10-5.30. Sat. 10-12.30.

CLUBS

EVE. 189 Regent Street. 734 0557. A la carte or All-in Menu. Three Spectacular Floor Shows. 10.45, 12.45, 1.45 and music of Johnny Hawkesworth & Friends.

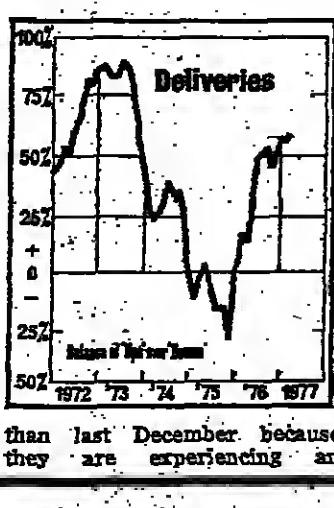
GARGOYLE. 69 Dean Street, London, W.1. NEW STRIPTEASE FLOOR SHOW THE GREAT BRITISH STRIP Show at Midnight also 1 a.m. Hostesses. Mon.-Fri. Closed Saturdays. 01-437 6455.

FT Monthly Survey of Business Opinion

GENERAL OUTLOOK
Generally more optimistic

THE IMPROVEMENT in optimism both about the economy as a whole and about the prospects for individual companies has continued this month. But since comparison is still with the period of pessimism and uncertainty at the end of last year a better guide may be provided by next month's survey when respondents will be comparing their attitudes with those held last January.

However, the measure of absolute optimism has continued to improve, and around two-thirds of the all-industry sample say they are now "fairly optimistic." Most of the engineering companies feel more optimistic than last December because they are experiencing an upward trend in demand. The budget appears to have had a neutral effect, if only because of the virtual absence of references to it — the main exception being one company which referred favourably to the effect of the tax reliefs on middle management.

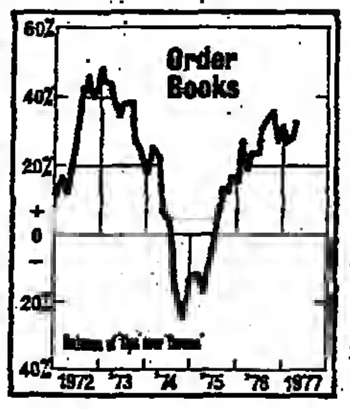


Export prospects continue to be the one undoubtedly encouraging feature of the survey, and this indicator remains at its high level of recent months. Engineering and brewing and distilling companies are the most bullish of the three sectors interviewed this month about the export outlook over the next year.

ORDERS AND OUTPUT
Activity picking up

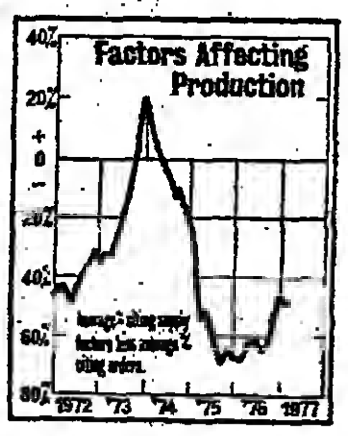
A STEADY RECOVERY in economic activity is indicated by the replies to both the order and production questions. All three sectors are expecting higher median increases in production/turnover during the next 12 months. So the median expected rise on the all-industry sample has risen from 4.7 to 5.5 per cent with an increase also in the balance of companies expecting an improvement over those anticipating a decline.

This is against the background of a fairly steady proportion of just over three-fifths of the sample reporting a rising trend of new orders in the last four months. But this indicator might have shown an improvement if one of the largest companies interviewed in the paper and connected industries had not reported lower order levels as a result of reduced demand from local authorities. There has also been a small improvement in the index of those reporting a rise in their order books, notably in the non-electrical engineering sector.



CAPACITY AND STOCKS
Demand still the main limit

THE UPTURN in activity has to date been so modest that production is still mainly constrained by demand rather than by supply factors; this indicator is unchanged. A feature this month is, however, the increase in the number of companies mentioning a shortage of executive staff, though this does not appear serious at present. There are also localised shortages of skilled factory staff for a number of engineering companies. Only a tiny minority of companies are yet working above planned capacity for the time of year and this indicator continues to show little change.



All three sectors are now more inclined to expect their level of stocks to increase than they had been last December, and the indicator for all three types of stock, therefore, has shown a further improvement. This applies particularly to work in progress where nearly half the companies in the all-industry sample expect a rise during the next 12 months. All three sectors are now less inclined to say their stock levels are too high than they were when last asked in December.

CAPACITY WORKING

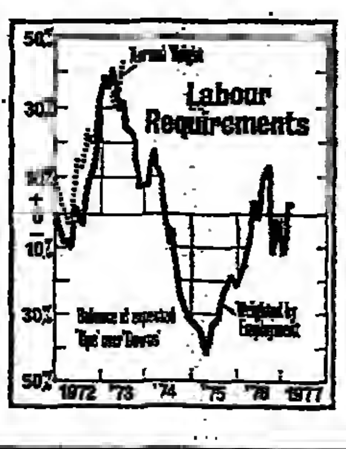
4 monthly moving total — April 1977

	Jan.-Apr. %	Dec.-Mar. %	Nov.-Feb. %	Oct.-Jan. %	Eng'g. (non-elect.) %	Brews. and Distills. %	Paper %
Above target capacity	7	5	8	11	23	6	16
Planned output	59	65	57	56	47	41	61
Below target capacity	30	28	33	33	30	29	23
No answer	4	2	2	—	—	24	—

INVESTMENT AND LABOUR
Capital spending growing

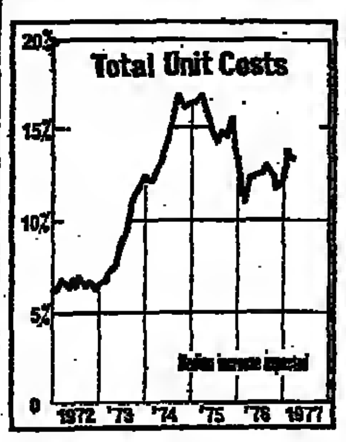
ONE OF the most encouraging features of the survey is the continued increase in the number of companies expecting a rise in capital spending in volume terms over the next 12 months—now nearly three-fifths of the all-industry sample. This is in line with the evidence of the CBI survey. There appears to be no problems about liquidity and the indicator of outside finance needs for capital spending has moved up slightly.

The position on the demand for labour is less clearcut. The improvement shown in last month's survey in the balance of companies expecting a rise in their labour force over the next 12 months compared with a fall has been maintained this month. However, the net balance expecting a rise is still only very small. While the paper and connected industries are more inclined to expect an increase than last December, the other two sectors are less inclined to take this view.



COSTS AND PROFIT MARGINS
Inflation remains high

A CONTINUING high rate of inflation over the next year is indicated by the replies on wages, costs and prices. The median expected rise in wages over the next 12 months is 10.7 per cent., the highest level since late last spring. Both the brewing and distilling, and the paper and connected sectors expect wages to rise by a greater amount than they did last December. The unit costs indicator has not, however, risen and has remained at around its recent level of 13½ per cent. Hopes of a sharp reduction in the rate of price inflation within a few months are not supported by the survey's evidence that the median expected rise in prices is still 13½ per cent.

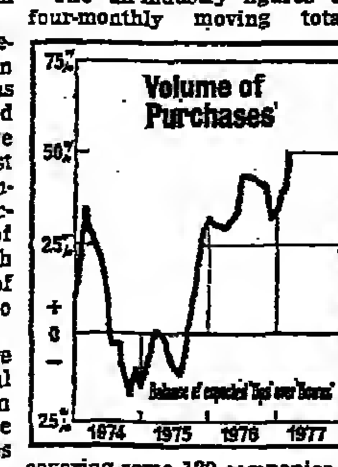


There is still, however, widespread confidence about an improvement in profit margins over the next 12 months and this index shows little change following a sharp increase last month. In engineering, increased volume is the key factor leading to expectations of improved profit margins though some companies complain of strong competition tending to squeeze their margins.

These surveys, which are carried out for the Financial Times by the Taylor Nelson Group, are based upon extensive interviews with top executives about their companies' situation and prospects.

Three industries and some 30 companies are covered in turn every month. They are drawn from a sample based upon the FT-Actuaries Index, which accounts for about 60 per cent. of the turnover of all public industrial companies. The weighting is by market capitalisation save when an alternative method is weighting is specified.

The all-industry figures are four-monthly moving totals, covering some 120 companies in 11 industrial sectors (mechanical engineering is surveyed every second month).



Complete tables can be purchased from Taylor Nelson and Associates Ltd.

GENERAL BUSINESS SITUATION

4 monthly moving total — April 1977

Are you more or less optimistic about your company's prospects than you were four months ago?	Jan.-Apr. %	Dec.-Mar. %	Nov.-Feb. %	Oct.-Jan. %	Eng'g. (non-elect.) %	Brews. and Distills. %	Paper %
More optimistic	43	36	30	29	50	36	61
Neutral	47	46	37	28	48	40	25
Less optimistic	10	18	33	43	2	24	14

EXPORT PROSPECTS (Weighted by exports)

4 monthly moving total — April 1977

Over the next 12 months exports will be:	Jan.-Apr. %	Dec.-Mar. %	Nov.-Feb. %	Oct.-Jan. %	Eng'g. (non-elect.) %	Brews. and Distills. %	Paper %
Higher	85	83	84	84	91	100	47
Same	14	13	11	11	9	—	24
Lower	1	—	1	1	—	—	29
Don't know	—	4	4	4	—	—	—

NEW ORDERS

4 monthly moving total — April 1977

The trend of new orders in the last four months is:	Jan.-Apr. %	Dec.-Mar. %	Nov.-Feb. %	Oct.-Jan. %	Eng'g. (non-elect.) %	Brews. and Distills. %	Paper %
Up	62	61	58	58	73	59	41
Same	24	26	25	25	22	11	14
Down	10	9	14	13	5	24	31
No answer	4	4	3	4	—	6	14

PRODUCTION/SALES TURNOVER

4 monthly moving total — April 1977

Those expecting production-sales turnover in the next 12 months to:	Jan.-Apr. %	Dec.-Mar. %	Nov.-Feb. %	Oct.-Jan. %	Eng'g. (non-elect.) %	Brews. and Distills. %	Paper %
Rise over 20%	2	2	3	2	5	—	2
Rise 15-19%	2	2	5	8	12	—	—
Rise 10-14%	17	16	13	15	25	11	20
Rise 5-9%	27	24	21	12	7	12	39
About the same	41	46	50	54	28	72	37
Fall over 10%	—	—	1	2	—	—	—
Fall 5-9%	1	1	—	—	—	—	—
No comment	10	9	7	7	23	5	2

STOCKS

4 monthly moving total — April 1977

	Jan.-Apr. %	Dec.-Mar. %	Nov.-Feb. %	Oct.-Jan. %	Eng'g. (non-elect.) %	Brews. and Distills. %	Paper %
Raw materials and components over the next 12 months will:							
Increase	32	32	32	33	46	11	4
Stay about the same	53	46	37	33	46	89	88
Decrease	14	19	29	31	8	—	14
No comment	1	3	2	3	—	—	2
Manufactured goods over the next 12 months will:							
Increase	33	29	26	26	30	17	53
Stay about the same	55	57	50	46	14	83	35
Decrease	5	6	14	15	2	—	—
No comment	7	8	10	13	54	—	12

FACTORS CURRENTLY AFFECTING PRODUCTION

4 monthly moving total — April 1977

	Jan.-Apr. %	Dec.-Mar. %	Nov.-Feb. %	Oct.-Jan. %	Eng'g. (non-elect.) %	Brews. and Distills. %	Paper %
Home orders	83	83	81	81	96	59	81
Export orders	37	35	37	40	51	53	67
Executive staff	25	18	13	13	46	48	20
Skilled factory staff	21	21	28	33	32	48	6
Manual Labour	3	2	3	5	23	—	—
Components	3	3	7	11	4	25	—
Raw materials	16	18	19	20	—	24	—
Production capacity (plant)	12	9	11	10	—	71	—
Finance	2	2	3	3	23	—	—
Others	4	3	1	4	—	24	—
Labour disputes	12	15	15	13	—	24	8
No answer/no factor	7	5	10	7	2	17	4

LABOUR REQUIREMENTS (Weighted by employment)

4 monthly moving total — April 1977

Those expecting their labour force over the next 12 months to:	Jan.-Apr. %	Dec.-Mar. %	Nov.-Feb. %	Oct.-Jan. %	Eng'g. (non-elect.) %	Brews. and Distills. %	Paper %
Increase	28	30	25	26	36	—	17
Stay about the same	46	44	38	39	46	100	67
Decrease	26	26	37	35	18	—	9
No comment	—	—	—	—	—	—	7

CAPITAL INVESTMENT (Weighted by capital expenditure)

4 monthly moving total — April 1977

Those expecting capital expenditure over the next 12 months to:	Jan.-Apr. %	Dec.-Mar. %	Nov.-Feb. %	Oct.-Jan. %	Eng'g. (non-elect.) %	Brews. and Distills. %	Paper %
Increase in volume	58	53	45	42	75	68	85
Increase in value but not in volume	8	8	8	22	22	28	—
Stay about the same	9	11	12	12	—	—	9
Decrease	24	28	35	24	3	4	6
No comment	1	—	—	—	—	—	—

COSTS

4 monthly moving total — April 1977

	Jan.-Apr. %	Dec.-Mar. %	Nov.-Feb. %	Oct.-Jan. %	Eng'g. (non-elect.) %	Brews. and Distills. %	Paper %
Wages rise by: 0-4%	7	12	13	8	—	—	—
5-9%	24	30	43	45	1	29	14
10-14%	37	33	25	28	54	24	37
15-19%	4	6	5	8	—	—	—
20-24%	1	1	1	1	—	—	—
No answer	27	18	13	10	45	47	49
Unit cost rise by: 0-4%	5	5	9	6	—	—	—
5-9%	9	9	13	17	2	6	8
10-14%	47	43	34	42	38	64	73
15-19%	25	26	32	24	49	25	19
20-24%	6	6	6	4	11	—	—
No answer	8	11	6	7	—	5	—

PROFIT MARGINS

4 monthly moving total — April 1977

Those expecting profit margins over the next 12 months to:	Jan.-Apr. %	Dec.-Mar. %	Nov.-Feb. %	Oct.-Jan. %	Eng'g. (non-elect.) %	Brews. and Distills. %	Paper %
Improve	39	40	28	33	66	24	53
Remain the same	46	47	46	42	8	47	19
Contract	12	12	25	25	3	24	14
No comment	3	1	1	—	23	5	14

FT SHARE INFORMATION SERVICE

**BRITISH FUNDS

"Shorts" (Lives up to Five Years)

[illegible]

Five to Fifteen Years

[illegible]

Over Fifteen Years

[illegible]

Undated

[illegible]

**INTERNATIONAL BANK

[illegible]

**CORPORATION LOANS

[illegible]

COMMONWEALTH & AFRICAN LOANS

[illegible]

LOANS (Miscel.)

[illegible]

FOREIGN BONDS & RAILS

[illegible]

U.S. $ & DM prices exclude inv. $ premium

AMERICANS

[illegible]

S.E. List Premium 45¾% (based on $US1.7191 per £)

Conversion factor 0.6504 (0.6785)

CANADIANS

[illegible]

S.E. List Premium 46¼% (based on $1.8008 per £)

BANKS AND HIRE PURCHASE

[illegible]

Hire Purchase, etc.

[illegible]

BEERS, WINES AND SPIRITS

[illegible]

BUILDING INDUSTRY, TIMBER AND ROADS

[illegible]

BUILDING INDUSTRY—Continued

[illegible]

CHEMICALS, PLASTICS

[illegible]

CINEMAS, THEATRES AND TV

[illegible]

DRAPERY AND STORES

[illegible]

DRAPERY AND STORES—Continued

[illegible]

ELECTRICAL AND RADIO

[illegible]

ENGINEERING, MACHINE TOOLS

[illegible]

ENGINEERING—Continued

[illegible]

FOOD, GROCERIES, ETC.

[illegible]

HOTELS AND CATERERS

[illegible]

INDUSTRIALS (Miscel.)

[illegible]

INDUSTRIALS—Continued

INSURANCE

MOTORS, AIRCRAFT TRADES

Motors and Cycles

Commercial Vehicles

Components

Garages and Distributors

NEWSPAPERS, PUBLISHERS

PAPER, PRINTING, ADVERTISING

PROPERTY

PROPERTY—Continued

SHIPBUILDERS, REPAIRERS

SHIPPING

SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

TOBACCOS

TRUSTS, FINANCE, LAND

Investment Trusts

TRUSTS—Continued

Finance, Land, etc.

OILS

OVERSEAS TRADERS

RUBBERS AND SISALS

TEAS

India and Bangladesh

Sri Lanka

Africa

MINES

CENTRAL RAND

EASTERN RAND

FAR WEST RAND

O.F.S.

FINANCE

DIAMOND AND PLATINUM

MINES—Continued

CENTRAL AFRICAN

AUSTRALIAN

TINS

COPPER

MISCELLANEOUS

NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures; they are adjusted to ACT of 35 per cent. P/Es are calculated on the basis of net distribution; bracketed figures indicate 10 per cent. or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution. Yields are based on middle prices, are gross and allow for value of declared distributions and rights. Securities with denominations other than sterling are quoted inclusive of the investment dollar premium.

- A Sterling denominated securities which include investment dollar premium.
- • "Tap" Stock.
- * Highs and Lows marked thus have been adjusted to allow for rights issues for cash.
- † Interim since increased or resumed.
- ‡ Interim since reduced, passed or deferred.
- ‡‡ Tax-free to non-residents.
- ♦ Figures or report awaited.
- †† Unlisted security.
- ø Price at time of suspension.
- ¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
- ** Free of Stamp Duty.
- ♦ Merger bid or reorganisation in progress.
- ♣ Not comparable.
- ♦ Same interim: reduced final and/or reduced earnings indicated.
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ★ Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.
- ♥ Excluding a final dividend declaration.
- ‡ Regional price.
- ‖ No par value.

n Tax free. b Figures based on prospectus or other official estimate. c Cents. d Dividend rate paid or payable on part of capital; cover based on dividend on full capital. n Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. r Australian currency. n Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast dividend: cover based on previous year's earnings. v Tax free up to 30p in the £. w Yield allows for currency clause. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. D Cover and P/E ratio exclude profits of U.K. aerospace subsidiaries. E Issue price. F Dividend and yield based on prospectus or other official estimates for 1977-78. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1976-77. K Figures based on prospectus or other official estimates for 1976-77. M Figures based on prospectus or other official estimates for 1976. N Dividend and yield based on prospectus or other official estimates for 1976. P Dividend and yield based on prospectus or other official estimates for 1977. Q Gross. T Figures assumed. U No significant Corporation Tax payable. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

"Recent Issues" and "Rights" Page 35

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £325 per annum for each security

REGIONAL MARKETS

The following is a selection of London quotations of shares previously listed only in regional markets. Prices of Irish issues, most of which are not officially listed in London, are as quoted on the Irish exchange.

Albany Inv. 20p	20	—
Ash Spinning	40	—
Bertam	17	—
Bdg'wtr. Est. 50p	217	−6
Clover Croft	21	—
Craig & Rose £1	360	—
Dyson (R.A.)	22	—
Ellis & McHdy	59	—
Evans Fr'k. 10p	30	−1
Evered	11	—
Fife Forge	65	—
Finlay Pkg. 5p	21½	+1
Graig Ship. £1	340	—
Hallam Sleigh 10p	9	—
Higsons Brew	80	—
I.O.M. Stm. £1	153	—
Holt (Jos.) 25p	213	—
Kleen-e-Ze	42	—
Lovell's Ship £1	120	—
N'thn. Goldsmith	28	+2
Pearce (C. H.)	100	—
Peel Mills	13	—
Robb Caledon 5p	87	—
Sayers 12½p	32	—
Sheffield Brick	90	−7
Sheff. Refrshmt.	160	—
Shiloh Spinn	21	—
Sindall (Wm.)	56	—

IRISH

Conv. 9% '80/82	£93¾	+¼
Alliance Gas	43	—
Arnott	245	—
Carroll (P.J.)	88	−1
Clondalkin	46	+5
Concrete Prods.	75	—
Holton (Hldgs.)	28	—
Ind. News	55	—
Ins. Corp.	120	—
Irish Distillers	52	—
Irish Ropes	125	—
Jacob	43½xd	—
Sunbeam	18	+½
T.M.G.	132	+2
Unidare	60	—

OPTIONS
3-month Call rates

Industrials

A. Brew	6½
A.P. Cement	18
B.S.R.	10
Babcock	8
Barclays Bank	25
Berry Wiggins	3
Beecham	32
Boots Drug	12
Bowaters	16
B.A.T.	21
British Oxygen	6
Brown (J.)	17
Burton 'A'	6
Cadburys	5
Cavenham	10
Courtaulds	10
Debenhams	8
Distillers	13
Dunlop	8½
Eagle Star	11
E.M.I.	20
Gen. Accident	17
Gen. Electric	17
Glaxo	36
Grand Met.	7
G.U.S. 'A'	18
Guardian	16
G.K.N.	25
Hawker Sidd.	40
House of Fraser	0
I.C.I.	25
"Imps"	7
I.C.L.	14
Inveresk	7
Ladbroke	11
Legal & Gen.	12
Lex Service	5
Lloyds Bank	22
"Lofs"	5
London Brick	5
Lonrho	0
Lucas Inds.	20
"Mams"	7
Mrks. & Spncr	10
Midland Bank	25
Nat. West. Bank	22
Do. Warrants	9
P & O Dfd.	12
Plessey	7
R.H.M.	5
Rank Org. 'A'	18
Reed Intl.	20
Reyrolle	17
Spillers	4
Tesco	4
Thorn 'A'	22
Trust Houses	13
Tube Invest.	30
Unilever	40
Utd. Drapery	7½
Vickers	15
Woolworths	6

Property

Brit. Land	3½
Cap. Counties	3
E.P.	5
Intereuropean	7
Land Secs.	14
MEPC	7
Peachey	6
Samuel Props.	4½
Town & City	1½

Oils

Brit. Petroleum	60
Burmah Oil	6
Shell	20
Ultramar	14

Mines

Charter Cons.	15
Charterhall Fin.	4
Cons. Gold	15
Rio T. Zinc	18

FINANCIAL TIMES
Monday May 2 1977

Engineers put pay policy to the test

BY ALAN PIKE, LABOUR STAFF, IN EASTBOURNE

THE PAY policy will face one of its most important and unpredictable tests this week when the national committee of the Amalgamated Union of Engineering Workers engineering section meets here.

The national committee gathers in particularly trying circumstances this year because of recent serious strikes by AUEW members in British Leyland, British Airways and elsewhere. The AUEW executive has been criticised by some sections of the membership for not supporting skilled workers fighting for the restoration of pay differentials.

But the union's leaders stuck to the constitutional view that the AUEW had to abide by the pay policy until the time came for the national committee to review the position.

This time has arrived and there are no resolutions on the committee's agenda which give unqualified support for a third phase of pay policy. Some call for action to restore differentials while others demand the consolidation of the flate rate increases under the first two phases of the pay policy into basic rates.

The AUEW executive is already pledged by a decision taking during the month-long unofficial Leyland toolroom stoppage to support demands for action on differentials, a cause of deep frustration among skilled engineering workers.

Whether the union will go further than this and come out totally against any third phase of incomes policy will partly depend on how the standing orders committee elected at to-day's opening session composites the many resolutions on wages and the social contract.

Unlike most union conferences the AUEW national committee is a small body. It is conceivable that its 52 members could delay a firm decision on Phase Three and meet again in the summer, when they can see the outcome of negotiations between the TUC and the Government.

The committee meets this year as the AUEW is preparing for the election of a successor to Mr. Hugh Scanlon as president of the union. It will add impetus to the struggle over policy issues between Left- and Right-wing groups at this week's meeting. The first round of the ballot is in the autumn.

Soviets seek $400m. loan in the West

BY DAVID SATTER — MOSCOW, May 1.

THE EAST European International Investment Bank is seeking to raise a Western loan of $400m. to finance sections of the Orenburg gas pipeline linking gas deposits in the southern Urals to Eastern Europe.

The International Investment Bank is owned jointly by the Comecon countries and is based in Moscow.

Banking sources said that the West German Dresdner Bank is lending to the bank and has offered co-management to several other major Western banks on the basis of a $40m. share underwritten by each.

Dresdner Bank last year managed a $600m. loan for the bank to finance capital projects.

The terms of the loan, which are considered very favourable here, would include repayment over six and a half years at the rate of 1½ per cent. over the Eurodollar rate for the first three and a half years and 1¾ per cent. for the last three years.

The spread on Comecon loans recently has been 1½ per cent.

Banking sources said the loan was the first attempt by a Comecon bank to raise finance in the West since the collapse earlier this year of loan negotiations for the International Bank for Economic Co-operation, a clearing bank for trade within Comecon.

The IBEC loan fell through shortly before it was to be signed when lawyers expressed doubt whether the bank could be held accountable for any default under British law.

The International Investment Bank loan will be registered under Luxembourg or West German law to avoid any repetition of such a legal problem. Yet Western bankers believe that default is unlikely in the light of Comecon's repayment record.

Eurobonds Page 36

Continued from Page 1

Ulster strike

and the livelihood of ordinary people. I am determined to be firm and resolute in giving to the unions and the workers my full support in keeping industry and commerce going and in carrying on with their jobs."

The security forces have had ample notice of this crisis and are well prepared for it, with a battery of contingency plans for maintaining supplies, keeping essential services such as power, water, and communications running, and containing the actions of those para-military groups which may support a strike.

There are nearly 15,000 regular troops in Northern Ireland following the arrival yesterday of 600 men of the Spearhead Battalion and 600 more are due to arrive to-day. The 8,000-strong Ulster Defence Regiment has been called out and will take over barrack duties this week, releasing regular troops for active security work. The police and police reserves totalling nearly 8,000 are on full alert. In all, there is a member of the security forces for every 50 citizens in the province.

An essential ingredient in preventing widespread intimidation will be to keep the major roads free from road blocks set up by paramilitary forces. The lesson of the 1974 strike was that action against motorists played a large part in bringing life to a halt.

The strikers finally achieved their objectives in 1974 because they managed to control the Northern Ireland power stations. But this time the situation seems to be in the Government's favour. Specialists in the armed forces are standing by to try to run the power stations on an emergency basis if they are needed. However, the majority of the power workers have so far indicated that they will remain at work as long as other workers in major industries do not join the strike.

More than two-thirds of Northern Ireland's electricity is generated at the Ballylumford power station of 600 megawatts near Larne. There are three other small power stations, none of which is vital for maintaining supplies. Ballylumford is in a strong Protestant area, however, and the authorities are concerned that the workers there could be intimidated.

Weather

U.K. TO-DAY

SUNNY intervals and showers.

London, S.E., S.W., N.W., Cent. S., N. England, Midlands, Channel Is., Wales

Sunny intervals, heavy showers in places. Max. 14C (57F).

E. England

Cloudy, scattered showers. Max. 13C (55F).

N.E. England, Borders, Edinburgh, Dundee, Aberdeen areas, Highlands

Cloudy, rain at times. Max. 9-11C (48-52F).

Lakes, I. of Man, S.W. Scotland, N. Ireland

Bright spells, showers, becoming cloudy. Max. 11-13C (52-55F).

Moray Firth, N.E., N.W. Scotland, Argyll

Bright, rain later. Max. 11C (52F).

Orkney, Shetland

Bright, rain later. Max. 9C (48F).

Outlook: Showers, heavy in places and sunny intervals.

HOLIDAY RESORTS

		Y'day mid-day °C	°F			Y'day mid-day °C	°F
Ajaccio	C	15	59	Jersey	F	11	52
Algiers	F	20	68	Las Plms.	F	19	66
Biarritz	F	14	57	Locarno	R	13	55
Blackpool	C	11	52	Majorca	S	17	63
Bordeaux	C	12	54	Malaga	F	19	66
Boulogne	R	9	48	Malta	F	20	68
Casablnca.	C	19	66	Naples	F	21	70
Corfu	F	26	79	Nice	F	15	59
Dubrovnik	S	22	72	Oporto	F	14	57
Faro	S	19	66	Rhodes	C	21	70
Funchal	C	18	64	Salzburg	F	25	77
Gibraltar	S	19	66	Tangier	C	18	64
Guernsey	F	8	46	Tenerife	C	14	57
Innsbruck	F	19	66	Tunis	C	20	68
Inverness	[illegible]	[illegible]	[illegible]	Valencia	[illegible]	[illegible]	[illegible]
Isle of Man	[illegible]	[illegible]	[illegible]	Venice	[illegible]	[illegible]	[illegible]
Istanbul	[illegible]	[illegible]	[illegible]				

R—Rain. S—Sunny. F—Fair. C—Cloudy. Dr—Drizzle.

BUSINESS CENTRES

		Y'day mid-day °C	°F			Y'day mid-day °C	°F
Amsterdm.	R	9	48	London	F	14	57
Athens	S	25	77	Luxemb'g	C	7	43
Barcelona	S	16	61	Madrid	F	16	61
Beirut	F	24	75	Manchestr.	C	11	52
Belfast	F	10	50	Melbourne	F	14	57
Belgrade	S	26	79	Moscow	S	26	79
Berlin	C	12	54	Munich	F	14	57
Birmghm.	F	12	54	Newcastle	S	11	52
Bristol	C	11	52	Oslo	F	14	57
Brussels	R	10	50	Paris	C	14	57
Budapest	F	26	79	Perth	C	19	66
Cardiff	S	10	50	Prague	F	26	79
Cologne	C	9	48	Reykjavik	C	6	43
Copnhagn.	R	11	52	Rome	F	21	70
Dublin	F	9	48	Stockhlm.	S	16	61
Edinbrgh.	C	9	48	Strasbrg.	C	11	52
Frankfurt	[illegible]	[illegible]	[illegible]	Sydney	[illegible]	18	64
Geneva	[illegible]	[illegible]	[illegible]	Tel Aviv	[illegible]	21	70
Glasgow	[illegible]	[illegible]	[illegible]	Vienna	[illegible]	24	75
Helsinki	[illegible]	[illegible]	[illegible]	Warsaw	[illegible]	26	79
Lisbon	[illegible]	[illegible]	[illegible]	Zurich	[illegible]	8	46

FT Monthly Survey of Business Opinion

Industrial output set to rise with inflation still high

A STEADY rise in output over the next 12 months, together with a recovery in investment, but a continuing high rate of inflation are indicated by the latest Financial Times monthly survey of business opinion.

This points to a continued improvement in industry's optimism about the prospects both for the economy as a whole and for particular businesses.

The budget, which welcomed in last month's survey, hardly receives a mention this time though there are references to the squeeze on pay under the current restraint and to some limited shortages of executive and skilled factory staff.

Interviews for the survey, which this month covered non-electrical engineering, brewing and distilling, and paper and connected industries, were almost entirely undertaken during the first two weeks of April when the full impact of the budget and recent sharp drops in interest rates could be appreciated.

The conclusions are broadly in line with those of recent CBI surveys which have pointed to a definite, though undramatic, recovery in output with a strong rise in exports and investment. These have yet to show up, however, in the official statistics.

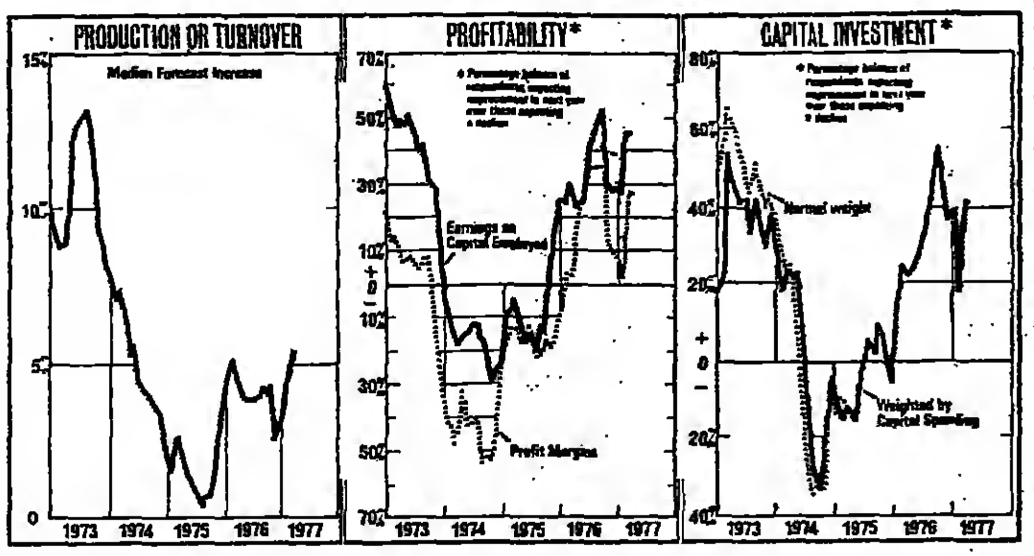
Export prospects are again the most clearly encouraging feature of the Financial Times survey.

The most marked improvement in the last couple of months has been the rising number of companies expecting an increase in the volume of capital spending in the next year.

Industry is still very cautious about its labour requirements over the next year: only a very small majority of companies expect a rise in the number of employees rather than a fall.

Expectations about inflation are also fairly bleak; the projected wage rise in the next year is now over 10 per cent. for the first time since last spring and the median expected price rise is still 13½ per cent. over the next year.

Details Page 41



EARNINGS ON CAPITAL — 4 monthly moving total — April 1977

Those expecting earnings during current year to:	Jan.-Apr. %	Dec.-Mar. %	Nov.-Feb. %	Oct.-Jan. %	Eng'g (non-elect.) %	Brews. and Distills. %	Paper %
Improve	56	54	50	54	74	89	63
Remain the same	29	31	21	14	1	11	16
Contract	11	9	23	25	2	—	21
No comment	4	4	6	7	23	—	—

Concessions on Namibia reported from conference

BY QUENTIN PEEL — JOHANNESBURG, May 1.

SIGNIFICANT CONCESSIONS have been made by the South African Government in its talks on the future of Namibia (South West Africa) with the five Western member states of the UN Security Council, according to Western diplomats.

They include a willingness to hold some form of national election in the territory in which the SWAPO Nationalist Movement, which is waging a guerilla war on the Namibian border, would be allowed to take part, if the movement could be persuaded to do so.

But no agreements have been signed and the Western teams at last week's talks—Britain, Canada, France, the U.S. and West Germany—are anxious that no details should emerge until other interested parties—including SWAPO—have been consulted.

"There have been significant concessions. The whole thing has been much more flexible than I dreamed possible," one normally cautious diplomat said. "But the whole thing is full of checks and balances, and none of it is sold to anybody. It has got to be discussed with all kinds of outside people, many of whom are extremely suspicious."

Mr. John Vorster, the South African Prime Minister, also agreed in a week-end speech that progress had been made at the talks, even if only because they showed that South Africa could no longer be ignored or talked to from afar. He added, however, that South Africa would never succeed in "selling itself" to the Western world until it succeeded in selling itself to Africa.

Indications about the substance of the talks have come from Windhoek, the Namibian capital, primarily from sources connected with the South African-sponsored Turnhalle Constitutional Conference, whose delegates were kept informed throughout the talks by Mr. Pik Botha, the South African Foreign Minister.

The details they have chosen to leak are as indicative of the problems still unresolved as of the progress made at the talks.

Opposed

Although several leaders of ethnic groups at the Turnhalle Conference say they are prepared to hold national elections with SWAPO involvement, conference sources suggest that they still want such elections on an ethnic or racial basis, although they might be held simultaneously.

In an interview with the Johannesburg Sunday Express, Chief Clemens Kapuuo, leader of the Herero group at Turnhalle, said he was opposed to supervision of elections by the UN. "I would like independent supervisors. The UN can attend as observers, but not supervise." Strong UN supervision has been a key Western demand.

Chief Kapuuo also said he expected South Africa to press ahead with the present plans for an interim government in the territory along the lines agreed by the Turnhalle Conference—in spite of the Western desire to hold back the process pending the outcome of the present talks.

The Turnhalle's interim government would reflect the ethnic composition of the conference, with ministers from each of the 11 ethnic groups and a three-tier government leaving significant powers in the hands of a second tier of effectively tribal councils.

A further report is that the Western states have agreed to adopt a softer line on UN demands for an immediate South African military withdrawal from the territory—although clearly the maintenance of law and order during any elections remains one of the most difficult problems to be resolved. The UN maintains that the South African presence in Namibia is illegal.

According to the Johannesburg Sunday Times the West's position "amounts to a request to South Africa that it continue its mandate until elections are held."

Continued from Page 1

Norway faces new row on oil

allocation of 15 blocks under a fourth round of licensing.

The areas are designed to show the reserve potential of the Statfjord field, along with offering an asessment of the economic feasibility of building two possible pipeline systems.

Fuel will ultimately be added to the energy debate by publication of the reports on the Ekofisk disaster from the Government's special three-man commission of inquiry and from the parallel criminal investigation.

It will be only a matter of days before new safety procedures are put into effect by the Petroleum Directorate to govern rules on well workovers—the procedure that Phillips was carrying out when the well blew out, and which must be repeated when the Bravo platform is found to be safe.

Parliament can also be expected to involve itself even more closely in the affairs of Statoil, the State oil company, which has at least a 50 per cent. interest in all blocks licensed since the third round.

The ultimate toll of pollution will remain incalculable for months, as the marine biological season takes its course, but fortunately the blow-out occurred three weeks before the start of the mackerel spawning season in the Ekofisk area.

Equally, the cost to Phillips of the whole operation is difficult to compute as yet, but at least £45m. worth of oil was lost, either through spillage—about 24,000 tonnes in all—or postponed production, and the Government has made clear that the company is liable for all the consequences of the disaster. Production from Ekofisk's undamaged platforms resumed at 6 p.m. yesterday.

Closer scrutiny

The multinational oil companies will also come under closer scrutiny, and Mr. Dag Meier-Hansen, director of the Petroleum Directorate, expressed concern at the week-end that U.S. companies are not giving sufficiently senior posts to Norwegians.

But the more immediate reverberations from Ekofisk will be felt in the area of pollution as the inquest continues to establish how much damage has been done to marine life.

In the first euphoria and relief after the capping of the well, Mr. Hans Kristian Bugge, head of the Environmental Protection Agency and chairman of the emergency operation, said: "I do not think the oil will reach the coast and it has done very little damage to marine life. For practical purposes, I think the oil will be completely dispersed before the start of the mackerel spawning season."

But undue optimism could be misplaced, and little more than 600 tonnes of oil has so far been picked up by mechanical means. Skimming will continue for a few more days, but most of the oil is expected either to evaporate or to break up in the action of the wind and waves.

Much of the polluted area now shows up as only a blue film on the surface of the sea, but there is a concentrated area of streaks, one to two centimetres thick, covering about 170 square miles to the North and North East of Bravo, and some 140 miles from the Norwegian coast.

THE LEX COLUMN

Interest rates and sterling

Since the Bank of England fixed Minimum Lending Rate at 12 per cent. for a five-week period in February and March it has allowed a further sharp fall in short term money rates. The sluggish performance of the money supply—sterling M3 only rose by 5 per cent. in the first 11 months of 1976-77 against the bottom range target of 9 per cent. for the year—and the strength of sterling have been powerful factors in favour of lower rates. Although overseas interest rates have generally been easing too (in the U.S. they have been steady) the differential in favour of the U.K. has narrowed substantially.

According to economic theory, lower interest rates will stimulate the growth of the money supply. The lower cost of borrowing boosts demand for bank lending, and the lower return on investment depresses purchases of gilt-edged securities. But there are time lags. Borrowers only recently were paying around 16 per cent. on bank overdrafts, with rates varying in a disturbing way, and bank customers are bound to be cautious about committing themselves heavily to such a source of finance. As for gilts, it is only when rates are thought to have stopped falling, and the expectation of capital profits disappears, that the full impact on new investment is seen.

Last month's Monetary Bulletin from Greenwells ventured the opinion that rates (when MLR stood at 9 per cent.) had already fallen far enough to push the growth of sterling M3 in 1977-78 up into the target 9-13 per cent. range. This is, of course, a matter of fine judgment. But there is plainly a chance that the authorities will be tempted to allow rates to drop too far, rather than wait patiently for the impact of the recent falls to become evident over a period of several months.

Monetary policy is being made more complicated by developments on the balance of payments front, where independent forecasters like the London Business School or Phillips and Drew are expecting the U.K. current account balance to move into surplus either this quarter or next. This makes sterling much less vulnerable to any difficulties over wages policy.

There is a possibility that currency inflows could make monetary policies destabilising, for raising interest rates to keep M3 within the desired growth channel might begin to suck in more foreign money and swell the aggregates. Hence the discussion by brokers Capel-Cure Myers, in a new circular, of the danger of an explosive rise in the money stock. The conclusion is that the authorities will come under increasing pressure to be flexible about the exchange rate as well as interest rates.

Laird Group

In contrast to Vickers, which last week owed its 1976 profits rise to its share of profits of the now nationalised BAC, Laird Group has deftly deconsolidated Scottish Aviation, delaying its results until after vesting day for the purpose. Handily, this has taken out losses of over £0.5m., and has swollen the year's overall improvement from 6 per cent. on the old basis to 18 per cent. ex-SA at £8.06m. before tax. Laird's stakes in SA and Cammell Laird Shipbuilders stand in the balance sheet at £3.5m., but the group's compensation ambitions are in the £5m.-£10m. range. Added to existing net cash of £7.9m. (down £2.7m. on the year) that gives Laird some takeover muscle if the group itself, which at 61p is capitalised at £23.6m., does not come in for predatorial attention.

The trading picture, fortunately, has not been wholly dominated by the £3m. collapse in steel profits to little more than break-even. The motor components division almost doubled its contribution to £4.5m., about £1.2m. of the gain coming in Germany and France, transport engineering was strong and shiprepairing staged a turnround of almost £1m. Steel remains in the doldrums, but group profits should show further progress this year, and the p/e (admittedly after only a 27 per cent. tax charge) is just 4.

Renown

A few eyebrows would be raised if a medium-sized U.K. company with a turnover of £350m. and net income of £8.6m. were to return to the equity market for £15m. only nine months after it had raised around £9.0m. from the same source. Yet in effect this is what Renown Inc., a Japanese clothing distributor, is doing with its second issue of European depositary receipts (EDRs) in under a year.

In fact, Renown is not the first Japanese company to tap international investors for extra equity, twice to under a year. Both Makita Electric and Murata Manufacturing have issued two lots of depositary receipts — effectively ordinary shares—over the past year. But Renown is believed to be the first Japanese company to make two public offerings of European, as opposed to American or Continental, depositary receipts within a year.

Renown's last EDR issue was a resounding success. Issued at a 6.5 per cent. discount on the Tokyo price, the EDRs have appreciated by well over a third since last summer, after adjusting for bonus issues. Apparently it is normal Japanese practice not to issue more than 10 per cent. of a company's outstanding shares at any one time so the speedy return to Europe for extra cash is not so unusual after all. The fact that Japanese EDR issues can be priced at a steeper discount than ADR issues should make the issue easier to sell. But unless Japanese companies tread carefully the EDR market could suffer from indigestion.

Registered at the Post Office. Printed by St. Clement's Press for and published by The Financial Times Ltd., Bracken House, Cannon Street, London EC4P 4BY.